

## SCHEME INFORMATION DOCUMENT

Principal Index Fund	<b>An Open Ended Index Scheme</b>  <b>Open Ended Equity Scheme(s)</b>
Principal Growth Fund	
Principal Dividend Yield Fund	
Principal Large Cap Fund	
Principal Services Industries Fund	
Principal Emerging Bluechip Fund	
Principal Retail Equity Savings Fund	
Principal Smart Equity Fund	

### Continuous Offer for Units at NAV based Prices

<b>Name of Mutual Fund</b>	Principal Mutual Fund
<b>Name of Asset Management Company</b>	Principal Pnb Asset Management Company Private Limited
<b>Name of Trustee Company</b>	Principal Trustee Company Private Limited

### Addresses, Website of the Entities:

<b>Principal Mutual Fund</b>	<b>Address:</b> Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 <b>Website:</b> <a href="http://www.principalindia.com">www.principalindia.com</a> <b>Email:</b> <a href="mailto:customer@principalindia.com">customer@principalindia.com</a> <b>Toll Free No.:</b> 1800 425 5600 <b>Fax No. –</b> (022) 67720512
<b>Principal Pnb Asset Management Company Private Limited</b>	
<b>Principal Trustee Company Private Limited</b>	

The particulars of the Scheme(s) have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from Principal Pnb Asset Management Company Pvt. Ltd. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme(s) that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Principal Mutual Fund, Tax and Legal issues and general information on [www.principalindia.com](http://www.principalindia.com).

SAI is incorporated by reference and is legally a part of the Scheme Information Document. For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated May 18, 2012.

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## Highlights / Summary of the Scheme(s)

Name of Scheme/Plan	Principal Index Fund	Principal Large Cap Fund
<b>Investment Objective</b>	To invest principally in securities that comprise S&P CNX Nifty (NSE) and subject to tracking errors endeavour to attain results commensurate with the Nifty.	The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by predominantly investing in companies having a large market capitalization.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on all business days on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices (with exit load as mandated by AMC from time to time).</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p>	
<b>Benchmark</b>	S&P CNX Nifty Index	BSE 100 Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV will be calculated by the AMC for each business day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before the commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)</b>	<p><b>Entry Load :</b> Nil</p> <p><b>Exit Load:</b> Nil</p>	<p><b>Entry Load:</b> Nil</p> <p><b>Exit Load:</b> If redeemed on or before 1 Year from the date of allotment – 1%.</p>
<b>Minimum Application Amount</b>	<b>New Investor</b> - ₹5,000/- for both Dividend and Growth Option and any amount	<b>New Investor</b> - ₹5,000/- for both Dividend and Growth Option and any

	thereafter under each option.  <b>Existing Investor</b> - ₹500/- and any amount thereafter under each Option.  <i>Systematic Investment Plan/Systematic Transfer Plan / Systematic Withdrawal Plan:</i> Minimum Six installments of ₹500/- each.	amount thereafter under each option.  <b>Existing Investor</b> - ₹500/- and any amount thereafter under each Option.  <i>Systematic Investment Plan/Systematic Transfer Plan / Systematic Withdrawal Plan:</i> Minimum Six installments of ₹500/- each.																																
Minimum Repurchase/Redemption Amount	₹500/- or 50 units	₹500/- or 50 units																																
Investment Plans (s) / Option(s)	The Scheme has two Options viz. Dividend and Growth Option. Further the Dividend Option has the facility of Payout, Reinvestment and Sweep.	The Scheme has two Options viz. Growth and Dividend. Further, the Dividend Option has the facility of Payout, Reinvestment and Sweep.																																
Asset Allocation Pattern	<p>Under normal circumstances, the asset allocation would be as follows:</p> <table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Nifty Stocks</td><td>0</td><td>100</td><td>Medium to High</td></tr><tr><td>Money Market Instruments</td><td>0</td><td>10</td><td>Low</td></tr></table> <p>The Asset Management Company reserves the right to invest in derivatives up to 50% of the net assets of the Scheme</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p>	Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Nifty Stocks	0	100	Medium to High	Money Market Instruments	0	10	Low	<p>Under normal circumstances, the asset allocation would be as follows:</p> <table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>(1) Large Cap Equity and Equity related instruments **</td><td>65</td><td>100</td><td>High</td></tr><tr><td>(2) Equity &amp; Equity related instruments (other than in (1) above)</td><td>0</td><td>35</td><td>High</td></tr><tr><td>(3) Money Market Instruments</td><td>0</td><td>30</td><td>Low to Medium</td></tr></table> <p>** For the purpose of this Fund, Large Cap Companies are defined as those having market capitalization greater than ₹ 750 crore as on the date of investment (or any such amount as may be specified by India Index Services and Products Limited (IISL) from time to time) being the upper limit of market capitalization as a criteria for inclusion</p>	Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	(1) Large Cap Equity and Equity related instruments **	65	100	High	(2) Equity & Equity related instruments (other than in (1) above)	0	35	High	(3) Money Market Instruments	0	30	Low to Medium
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		<p>of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of ‘Large Cap companies’, the same will be utilized.</p> <p>The AMC reserves the right to invest in foreign securities and derivatives as follows:-</p> <table><tr><th>Particulars</th><th>Normal Allocation (% of Net Assets)</th></tr><tr><td>Investment in ADR/ GDR and foreign securities (equity and equity related instruments)</td><td>Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.</td></tr><tr><td>Equity Derivatives</td><td>Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.</td></tr></table>	Particulars	Normal Allocation (% of Net Assets)	Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.	Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.
Particulars	Normal Allocation (% of Net Assets)							
Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.							
Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.							
Investment Strategy	<p>Units of the scheme have been designed with the intention of tracking the movement of securities (from time to time) included in the Nifty. The Scheme plans to do this by investing the entire corpus in the stocks that comprise the Nifty in similar weights to the weightage given by Nifty so that the portfolio would appreciate or depreciate (subject to tracking errors) in more or less the same manner as the Nifty.</p> <p>Subject to the requirements of cash flows to meet the recurring expenses and to service investors who decide to exit from the Scheme or for distribution of income, if any, to investors, it is proposed that the corpus of the scheme will be invested in the Nifty securities. It is also proposed that disinvestment will take place only when investors exit from the Scheme or when any security ceases to be included in the Nifty or to meet the cash flow requirements.</p> <p>The Nifty is designed to reflect the perceptions of the investors about the Indian economy. This is sought to be achieved by IISL by including companies representing a cross-section of the various sectors of the Indian economy. By endeavoring to track the Nifty to the extent possible under the prevailing circumstances and environment objectives and the features of the Scheme,</p>	<p>Currently, more than 80% of market capitalization of the equity market is in large capitalization stocks and pursuant to the objectives of the scheme, the scheme would invest at least 65% of its assets in companies having a market capitalization greater than ₹750 crores as on the date of investment (or any such amount as may be specified by India Index Services and Products Ltd. (IISL) from time to time) being the upper limit of market capitalization as a criteria for inclusion of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of ‘Large Cap companies’, the same will be utilized. The scheme may also invest upto 35% of its net assets in companies having a market capitalization less than ₹ 750 crores.</p>						

	the Fund expects to generate returns in the Scheme approximating the performance of the Nifty.	
<b>Fund Manager</b>	Mr. Rajat Jain	Mr. Anupam Tiwari

<b>Name of Scheme/Plan</b>	<b>Principal Growth Fund</b>	<b>Principal Dividend Yield Fund</b>
<b>Investment Objective</b>	To achieve long – term capital appreciation.	The investment objective of the scheme would be to provide capital appreciation and/or dividend distribution by investing predominantly in a well-diversified portfolio of companies that have a relatively high dividend yield.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on all business days. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices.</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time, will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request</p>	
<b>Benchmark</b>	BSE 200 Index	S&P CNX 500 Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV of the scheme will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (www.principalindia.com) and on the website of Association of Mutual Funds in India - AMFI (www.amfiindia.com) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads</b> (including Systematic Investment Plans / Systematic Transfer)	<p><b>Entry Load:</b> Nil</p> <p><b>Exit Load:</b> If redeemed on or before 1 year from the date of allotment – 1%</p>	<p><b>Entry Load:</b> Nil</p> <p><b>Exit Load:</b> If redeemed on or before 1 year from the date of allotment – 1%.</p>

Plan / Systematic Withdrawal Plan if available)																																		
Minimum Application Amount	<p><b>New Investor</b> - ₹5,000/- for both Dividend and Growth Option and any amount thereafter under each option.</p> <p><b>Existing Investor</b> - ₹500/- and any amount thereafter under each Option.</p> <p><b>Systematic Investment Plan/Systematic Transfer Plan / Systematic Withdrawal Plan:</b> Minimum Six installments of ₹500/- each.</p>	<p><b>New Investor</b> - ₹5,000/- for both Dividend and Growth Option and any amount thereafter under each option.</p> <p><b>Existing Investor</b> - ₹500/- and any amount thereafter under each Option.</p> <p><b>Systematic Investment Plan/Systematic Transfer Plan / Systematic Withdrawal Plan:</b> Minimum Six installments of ₹500/- each.</p>																																
Minimum Repurchase/Redemption Amount	₹500/- or 50 units	₹500/- or 50 units																																
Investment Plans (s) / Option(s)	The Scheme has two Options i.e Growth and Dividend. Further, the Dividend Plan has the facility of Payout, Reinvestment and Sweep	The Scheme has two Options i.e Growth and Dividend. Further, the Dividend Option has the facility of Payout, Reinvestment and Sweep (into an open ended scheme).Both these Options will share a common Portfolio.																																
Asset Allocation Pattern	<p>Under normal circumstances, the asset allocation would be as follows:</p> <table><tr><th rowspan="2">Types of Instruments</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Equity and Equity Related Instruments</td><td>65</td><td>100</td><td>High</td></tr><tr><td>Debt (including securitised debt*) and Money market instruments</td><td>0</td><td>35</td><td>Low to Medium</td></tr></table> <p>* Investment in Securitized Debt may be up to 35% of the net assets of the Scheme.</p> <p>The Asset Management Company (AMC) reserves the right to invest in Derivatives upto 50% of the net assets of the Scheme. The AMC further reserves the right to invest in ADRs / GDRs and / or Overseas Financial debt instruments including units of Overseas Mutual Funds not exceeding 15% of the net assets of the Scheme. Investment in Derivatives / ADRs / GDRs</p>	Types of Instruments	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Equity and Equity Related Instruments	65	100	High	Debt (including securitised debt*) and Money market instruments	0	35	Low to Medium	<p>Under normal circumstances, the asset allocation would be as follows:</p> <table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Equity and equity related instruments of high dividend-yield companies*</td><td>65</td><td>100</td><td>High</td></tr><tr><td>Other equity and equity-related instruments</td><td>0</td><td>35</td><td>High</td></tr><tr><td>Cash and Money Market Instruments</td><td>0</td><td>20</td><td>Low to Medium</td></tr></table> <p>*High dividend-yield companies are defined as those having a dividend-yield</p>	Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Equity and equity related instruments of high dividend-yield companies*	65	100	High	Other equity and equity-related instruments	0	35	High	Cash and Money Market Instruments	0	20	Low to Medium
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	<p>/ Overseas Financial debt instruments shall be subject to restrictions imposed by SEBI / RBI or any other regulatory authority from time to time.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p>	<p>(i.e last declared dividend as a percentage of the market price at the time of investment) higher than 1.5 times that of the NSE Nifty on the earlier trading day.</p> <p>The scheme intends to use derivatives for purposes that may be permitted by SEBI (Mutual Funds) Regulations, 1996 from time to time. The scheme shall have a maximum net derivatives position up to 50% of the portfolio.</p> <p>The Scheme may also invest in overseas financial debt instruments including units of overseas mutual funds, as detailed below:-</p> <p>Investments will only be made in instruments denominated in US Dollar, Singapore Dollar, Japanese Yen, Euro or Sterling Pound on in any other liquid currency as may be decided by the AMC from time to time and will be subject to following limits:</p> <table><tr><th>Particulars</th><th>% of Net Assets</th></tr><tr><td>Investment in overseas financial debt instruments including units of overseas mutual funds</td><td>Not exceeding 35% of the Scheme's assets subject to a maximum limit of US \$300 million per mutual fund or such other limit as specified by SEBI from time to time.</td></tr></table> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p>	Particulars	% of Net Assets	Investment in overseas financial debt instruments including units of overseas mutual funds	Not exceeding 35% of the Scheme's assets subject to a maximum limit of US \$300 million per mutual fund or such other limit as specified by SEBI from time to time.
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Investment in overseas financial debt instruments including units of overseas mutual funds	Not exceeding 35% of the Scheme's assets subject to a maximum limit of US \$300 million per mutual fund or such other limit as specified by SEBI from time to time.					
Investment Strategy	<p>The scheme will invest its assets in a portfolio of equity and equity related instruments. The focus of the investment strategy would be to identify stocks which can provide capital appreciation in the long term. Companies selected for the portfolio which in the opinion of the AMC would possess some of the characteristics mentioned below:</p> <ul style="list-style-type: none"><li>– Superior management quality</li><li>– Distinct and sustainable competitive</li></ul>	<p>The scheme would invest predominantly (at least 65% of the net assets) in companies that have a relatively high dividend yield (i.e. last declared dividend divided by the current market price), at the time of making the investment. The Fund is defining dividend yield as “high” if it is in excess of 1.5 times that of the prevailing dividend yield of the NSE Nifty.</p> <p>The dividend yield of NSE Nifty as on</p>				



	<p>advantage</p> <ul style="list-style-type: none"> <li>– Good growth prospects and</li> <li>– Strong financial strength</li> </ul> <p>The aim will be to build a diversified portfolio across major industries and economic sectors by using “Fundamental Analysis” approach as its selection process.</p>	May 17, 2012 is 1.64.
<b>Fund Manager</b>	Mr. P.V. K. Mohan	Mr. Dhimant Shah

<b>Name of the Scheme</b>	<b>Principal Services Industries Fund</b>	<b>Principal Emerging Bluechip Fund</b>
<b>Investment Objective</b>	To provide capital appreciation and income distribution to the unit holders by investing predominantly in equity/equity related securities of the companies belonging to the services industries and the balance in debt securities and money market instruments including call money.	The primary objective of the Scheme is to achieve long-term capital appreciation by investing in equity & equity related instruments of mid cap & small cap companies.
<b>Liquidity</b>	<p>Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices.</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request</p>	
<b>Benchmark</b>	CNX Services Sector Index	CNX Midcap Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV of the scheme will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	

<b>Loads</b> (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)	<b>Entry Load:</b> Nil <b>Exit Load:</b> If redeemed on or before 1 Year from the date of allotment – 1%	<b>Entry Load:</b> Nil <b>Exit Load:</b> If redeemed on or before 1 Year from the date of allotment – 1%																																
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	Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.	companies			
	Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.	<b>Total Equity</b>	70	100	High
			Cash & Money Market / Fixed Income Securities (including MIBOR Linked Short Term Papers & Securitised Debt*)	0	30	Low to Medium
<p>*Investment in Securitised Debt may be up to 30% of the net assets of the Scheme.</p> <p><b>Note:</b> The Asset Management Company (AMC) reserves the right to invest in derivatives (Equity Derivatives) not exceeding 50 % of the Net Assets, subject to limits specified by SEBI from time to time. The AMC further reserves the right to invest in foreign securities and derivatives subject to SEBI/RBI or any other Regulatory Authorities permitted from time to time.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p>						
<b>Investment Strategy</b>	<p>The scheme will inter-alia invests in companies, which are engaged in the following Service industries: Banks, Courier, Finance, Gas, Healthcare Services, Hotels, Industrial Services, Media &amp; Entertainment, Power, Retailing, Software, Telecom-Services, Trading, Transportation, and Travel.</p> <p>The above list is only indicative and not exhaustive and this could undergo changes based on future reforms and developments. The Investment Manager may add such other sector/group of industries which broadly satisfy the category of services industries based on AMFI classification.</p>		<p>The investment strategy of the fund will be based on market cap of the stocks. The fund will predominantly invest in midcap stocks. This midcap range will be so determined taking into account the midcap range of the benchmark index at the end of every calendar quarter. Such midcap range once determined at quarter end will apply to all investment decisions made during the following quarter. The fund will also invest in small cap stocks to tap high growth opportunities offered by such stocks.</p> <p>For the purpose of maintaining liquidity or tap market opportunities; the fund may also invest in large cap stocks. Stocks selection will be primarily on bottom up approach on stock-by-stock basis. As part of its objective of maximizing investor's wealth creation</p>			

		potential over the longer duration, the fund may also invest in equity and equity related instruments of unlisted companies in line with SEBI regulations. A part of the portfolio will also tap arbitrage opportunities in the domestic markets like equity & equity related instruments, convertible preference shares, and convertible debentures. The Scheme intends to invest in derivatives not exceeding 50% of the net assets of the Schemes, subject to the limits as specified from time to time for hedging and rebalancing purposes or to undertake any other strategy as permitted under SEBI Regulations from time to time.
<b>Fund Manager</b>	Mr. Rajat Jain  Assistant Fund Manager – Mr. Anupam Tiwari	Mr. Dhimant Shah

<b>Name of the Scheme</b>	<b>Principal Retail Equity Savings Fund (An open ended Equity Scheme)</b>	<b>Principal Smart Equity Fund (An open ended Equity Scheme)</b>
<b>Investment Objective</b>	To provide long term capital appreciation and regular income by investing in equity and equity related instruments and also in debt and money market instruments	The primary objective of the scheme is to seek to generate long term capital appreciation with relatively lower volatility through systematic allocation of funds into equity; and in debt /money market instruments for defensive purposes. The Scheme will decide on allocation of funds into equity assets based on equity market Price Earning Ratio (PE Ratio) levels. When the markets become expensive in terms of 'Price to Earnings' Ratio; the Scheme will reduce its allocation to equities and move assets into debt and/or money market instruments and vice versa.
<b>Liquidity</b>	<p>Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices.</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request</p>	
<b>Benchmark</b>	BSE 100 Index	Crisil Balanced Fund Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV of the scheme will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to</p>	

	<p>any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads</b> (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)	<p><b>Entry Load :Not Applicable</b></p> <p><b>Exit Load:</b> If redeemed on or before 1 year from the date of allotment - 1%.</p>	<p><b>Exit Load:</b></p> <p>From the date of allotment if redeemed any time –</p> <p>Upto 1 Year - 2.00%, Upto 2 Years - 1.00%, After 2 Years - Nil</p> <p>Load on switches will be same as exit load applicable for the respective Scheme.</p>
<b>Minimum Application Amount</b>	<p>New Investor - ₹5,000/- and any amount thereafter. Existing Investor - ₹500/- and any amount thereafter.</p> <p><b>Systematic Investment Plan/Systematic Withdrawal Plan/Systematic Transfer Plan:</b> Minimum Six installments of ₹500/- each.</p> <p><i>[Note: Subscription application (including Systematic Transfer Plan/Systematic Investment Plan) under the Scheme shall stand restricted only for individual investors (including HUFs, Association of Persons &amp; where an individual is an ultimate beneficiary) [it is clarified that investment of non-individual investors existing upto November 28, 2011 shall continue]</i></p>	<p><b>Initial Investment –</b> ₹5,000/- and any amount in multiple of ₹1/- thereafter under each option.</p> <p><b>Subsequent investment –</b> ₹500 and any amount in multiple of ₹1/- thereafter under each option.</p> <p><b>Systematic Investment Plan (SIP) / Systematic Withdrawal Plan (SWP) / Systematic Transfer Plan (STP)-</b> Minimum six installments of ₹500/- each.</p>
<b>Investment Plans (s) / Option(s)</b>	<p>Dividend and Growth Option both sharing a common Portfolio. Further the Dividend Option has the facility of Payout, Reinvestment and Sweep.</p> <p><i>[Note: Fresh subscriptions in any mode (including Systematic Investment Plan [SIP] / Systematic Transfer Plan [STP]) shall not be accepted under the Dividend Option of the Scheme. Investment of existing investors under the Dividend Option will continue and likewise such investors who may have registered for SIP &amp; STP on or November 28, 2011, their SIP/STP transactions shall continue.</i></p>	<p>The Scheme has two Options viz. Dividend and Growth Option.</p> <p>Further the Dividend Option has the facility of Payout, Reinvestment and Sweep.</p>
<b>Minimum</b>	₹500/- or 50 units.	₹500/- or 50 units.

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		Large Cap Stocks are defined as stocks with market cap equal to or above the market cap of the lowest market cap stock of the BSE 100 Index and which may or may not be a constituent of the BSE 100 Index at the time of investment. The universe may also include Initial Public Offerings whose market capitalization would be as per the above-mentioned criteria. This large cap cutoff will be so determined taking into account the full market cap range of the BSE 100 index at the end of every calendar quarter. Such market cap range once determined at quarter-end will apply to all investment decisions made during the following quarter. The market cap criteria will apply only at the time of making investment decision. If a stock so qualifies for investment based on above market cap criteria at the time of investment; the fund may continue to hold the stock irrespective of																												



	Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.	market cap movement of the stock subsequent to investment in the stock. The lower end of the full market cap of BSE 100 Index as on March 30, 2012 was ₹3,588.77 crore.																								
<b>Investment Strategy</b>	<p>Investment would be primarily in equity and equity related instruments besides debt securities. In selecting equities the Investment manager looks for companies that have predictable earnings and which based on growth prospects, it believes are undervalued in the market place. The Investment Manger would buy securities with the objective of long term capital appreciation. Equity Securities in which Investment would be made shall normally generate dividend income. From time to time, the AMC shall purchase securities with the expectation of price appreciation over the short term. In response to changes in economic conditions the Investment Manager may change the make-up of the portfolio and emphasize different market sectors by buying and selling the portfolio's securities.</p> <p>The Scheme shall generate interest income by investing in debt securities. Debt Securities are also purchased for Capital appreciation purposes when the Investment Manager thinks that declining interest rates may increase market value. Deep Discount debt securities may also be purchased to generate capital appreciation / income. The Scheme may also invest, at the discretion of the Investment Manager, in the units of Liquid /Money Market and Debt Mutual Fund Scheme(s).</p>	<p>The Scheme will decide on allocation of funds into equity assets based on equity market Price Earning Ratio (PE Ratio) levels. The PE Ratio has traditionally been used as a tool to assess whether the equity markets are cheap or expensively priced. When the markets become expensive in terms of 'Price to Earnings' Ratio; the Scheme will reduce its allocation to equities and move assets into debt and/or money market instruments and vice versa. Such a strategy is expected to optimise the risk-return proposition for the long term investor.</p> <p>Under normal circumstances; the scheme's equity allocation may follow the following pattern based on S&amp;P CNX Nifty PE Ratio Level –</p> <table border="1"> <thead> <tr> <th>Weighted Average PE Ratio of S&amp;P CNX Nifty</th><th>Equity Component (%)</th><th>Debt Component (%)</th></tr> </thead> <tbody> <tr> <td>Upto 16</td><td>100</td><td>0</td></tr> <tr> <td>Above 16 – Upto 18</td><td>80 - 100</td><td>0 - 20</td></tr> <tr> <td>Above 18 – Upto 20</td><td>60 - 80</td><td>20 - 40</td></tr> <tr> <td>Above 20 – Upto 24</td><td>30 - 50</td><td>50 - 70</td></tr> <tr> <td>Above 24 – Upto 26</td><td>10 - 20</td><td>80 - 90</td></tr> <tr> <td>Above 26 – Upto 28</td><td>0 - 10</td><td>90 - 100</td></tr> <tr> <td>Above 28</td><td>0</td><td>100</td></tr> </tbody> </table> <p>For this purpose the month end PE Ratio of S&amp;P CNX Nifty Index (NSE Nifty) will be considered.</p> <p>Such a PE Ratio will be the month end weighted average PE Ratio of the constituent stocks making up the S&amp;P CNX Nifty Index. The Price considered will be the closing market price on the NSE as at the month end. The undiluted earnings per share will reflect the trailing earnings of the most recent four quarters of each of the companies, for which information is available.</p> <p>This PE ratio will be rounded off to the nearest decimal. Thus every month end we would observe the above mentioned PE ratio and the resultant PE band. The investment strategy outlines different PE bands and the asset allocation applicable to each band. If there is a change in the PE band as</p>	Weighted Average PE Ratio of S&P CNX Nifty	Equity Component (%)	Debt Component (%)	Upto 16	100	0	Above 16 – Upto 18	80 - 100	0 - 20	Above 18 – Upto 20	60 - 80	20 - 40	Above 20 – Upto 24	30 - 50	50 - 70	Above 24 – Upto 26	10 - 20	80 - 90	Above 26 – Upto 28	0 - 10	90 - 100	Above 28	0	100
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		observed on the latest month-end as compared to last month-end(due to Nifty's PE moving out of one band to another) then it will require rebalancing of portfolio to bring the equity component in line with the new band. This rebalancing would be done latest before the end of the subsequent month.
<b>Fund Manager</b>	Mr. Rajat Jain	Mr. Anupam Tiwari

## II. INTRODUCTION

### A. RISK FACTORS

#### *Standard Risk Factors:*

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the scheme(s) invests fluctuates, the value of your investment in the scheme(s) may go up or down. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme(s).
- Principal Index Fund, Principal Growth Fund, Principal Dividend Yield Fund, Principal Large Cap Fund, Principal Services Industries Fund, Principal Emerging Bluechip Fund, Principal Retail Equity Savings Fund and Principal Smart Equity Fund are only the names of the scheme(s) and do not in any manner indicate either the quality of the scheme(s) or its future prospects and returns.
- The sponsor or any of its associates including co-settlers are not responsible or liable for any loss resulting from the operation of the scheme(s) beyond the initial contribution of ₹25 lakhs made towards setting up the Fund.
- The present scheme(s) are not guaranteed or assured return scheme(s).

#### **Specific Risk Factors:**

#### **Applicable to all schemes:-**

#### **Risk Associated with Investing in Equities –**

- The value of Scheme's investments may be affected by factors affecting the Securities markets and price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies if the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the NAV of the units of the Scheme(s) may be affected.
- Equity & Equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the Scheme(s) may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme(s) to make intended securities purchases due to settlement problems could cause the Scheme(s) to miss certain investment opportunities. Similarly, the inability to sell securities held in the Scheme's portfolio may result, at times, in potential losses to the Scheme(s), should there be a subsequent decline in the value of securities held in the Scheme's portfolio.
- The liquidity and valuation of the Scheme's investments due to the holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.
- Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options.



- The liquidity of the scheme(s) is inherently restricted by trading volumes in securities in which it invests.
- Investment decisions made by the Investment Manager may not always be profitable.

**Risk Associated with Investing in Debt and / or Money Market Instruments and/or units of Liquid/Money Market /Debt Mutual Fund Scheme(s)-**

**Price-Risk or Interest-Rate Risk:** Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

**Credit Risk:** In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme has invested in Government Securities, there is no credit risk to that extent.

**Re-investment Risk:** Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

**Interest Rate Movement (Basis Risk):** The changes in the prevailing rates of interest will likely affect the value of the Scheme's holdings until the next reset date and thus the value of the Schemes' Units will be affected. Increased rates of interest, which frequently accompany inflation and/ or a growing economy, are likely to have a negative effect on the value of the Units. The value of securities held by the Scheme generally will vary inversely with changes in prevailing interest rates. The fund could be exposed to the interest rate risk (i) to the extent of time gap in resetting of the benchmark rates, and (ii) to the extent the benchmark index fails to capture the interest rate movement.

**Prepayments and Charge Offs Risk:** In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).

**Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However depending upon the market conditions the spreads may move adversely or favourably leading to fluctuation in NAV.

To the extent the underlying Mutual Fund Scheme invest in Debt / Money Market Instruments, the Schemes shall be affected by the afore mentioned risk factors viz. Price Risk, Interest Rate Risk, Credit Risk, Reinvestment Risk, Interest Rate Movement Risk, Prepayment and Charge Offs Risk, Spread Risk etc. The Net Asset Value (NAV) of the units of the Scheme is likely to get effected on accounts of such risk factors. Any change in the investment policies or fundamental attributes of any underlying scheme is likely to affect the performance of the Scheme(s). Further, the liquidity of the Scheme's investments may be inherently restricted by the liquidity of the underlying schemes in which it has invested.

**Risks associated with Investing in Foreign Securities (applicable where the asset allocation pattern of the Scheme(s) provides such investment.)**

Subject to necessary approvals and within the investment objectives, the Scheme(s) may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances.

It is the AMC's belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multimarket and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme(s). Since the Scheme(s) would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme(s). To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient

portfolio management including hedging and in accordance with conditions as may be stipulated under the Regulations or by RBI from time to time. The Scheme(s) may invest in ADR/GDR/Foreign Securities and / or other securities as may be permissible and described in SEBI Circular Reference No. SEBI/IMD/CIR No. 7/104753/07 dated September 26, 2007 as may be amended from time to time, within the overall applicable limits and within the scheme specific asset allocation pattern.

Overseas investments will be made subject to any/all approvals, conditions thereof as may be stipulated under the Regulations or by RBI and provided such investments do not result in expenses to the Scheme in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The Fund may, where necessary, may appoint other intermediaries of repute as advisors, custodian/sub custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

**Risks associated with Investing in Derivatives (applicable where the asset allocation pattern of the Scheme(s) provides for such investment)**

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The AMC may use various derivative products, as permitted by SEBI and the RBI from time to time, in an attempt to optimize the value of the portfolio and enhance Unit holder's interest/value of the Scheme. As and when the Scheme(s) trade in the derivatives market, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. The Scheme(s) bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme(s). Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate in line with underlying assets, rates and indices.

Also, the market for derivative instruments is relatively nascent in India and does not have the volumes which may be seen in other developed markets, which may result in volatility to the values. Derivatives require the maintenance of adequate controls to monitor the transactions and the embedded market risks that a derivative adds to the portfolio. Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives.

Other risks in using derivatives include but are not limited to:

(a) **Credit Risk** – this occurs when a counterparty defaults on a transaction before settlement and therefore, the Scheme is compelled to negotiate with another counter party, at the then prevailing (possibly unfavorable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides a guaranteed settlement but one takes the performance risk on the exchange.

(b) **Market Liquidity risk** – this occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.

(c) **Model Risk** - the risk of mis-pricing or improper valuation of derivatives.

d) **Basis Risk** – this risk arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

Trading in derivatives carry a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. The Scheme(s) may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme may face a liquidity issue.

Interest Rate Swaps (IRS) are highly specialized instruments that require investment technique and risk analysis different from those associated with equity shares and other traditional securities. The use of a IRS requires not only an understanding of the referenced asset, reference rate, or index but also of the swap itself, without the benefit of observing the performance of the swap under all possible market conditions. Swap agreements are also subject to liquidity risk, which exists when a particular swap is difficult to purchase or sell. Swap agreements may be subject to pricing risk, which exists when a particular swap becomes extraordinarily expensive (or cheap) relative to historical prices or the prices of corresponding cash market instruments. IRS agreements are also subject to counterparty risk on account of insolvency or bankruptcy or failure of the counterparty to make required payments or otherwise comply with the terms of the agreement

**Risks associated with investing in Securitised Debt (applicable where the asset allocation pattern of the Scheme(s) provides for such investment).**

The Scheme(s) may invest in domestic securitised debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). Asset Backed Securities (ABS) are securitised debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage Backed Securities (MBS) are securitised debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/ MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

At present in Indian market, following types of loans are securitised:

- Auto Loans (cars / commercial vehicles / two wheelers)
- Residential Mortgages or Housing Loans
- Consumer Durable Loans
- Personal Loans
- Corporate Loans

The main risks pertaining to each of the asset classes above are described below:

**Auto Loans (cars / commercial vehicles /two wheelers)**

The underlying assets (cars, commercial vehicles, two wheelers etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual. Commercial vehicle loans are susceptible to the cyclicity in the economy.

In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

### **Housing Loans**

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

### **Consumer Durable Loans**

The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

### **Personal Loans**

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money.

### **Corporate Loans**

These are loans given to single or multiple corporates. The receivables from a pool of loans to corporates are assigned to a trust that issues Pass through certificates in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend of economic cycles.

### **Further, all the above categories of loans have the following common risks:**

All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans. In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

### **Risks associated with Short Selling and Securities Lending – (applicable where the asset allocation pattern of the Scheme(s) provides for such investment).**

- **Short selling –**

Short-selling is the sale of shares that the seller does not own at the time of trading. Instead, he borrows it from someone who already owns it. Later, the short seller buys back the stock he shorted and returns the stock to close out the loan. If the price of the stock has fallen, he can buy the stock back for less than he received for selling it and profits from it (the difference between higher short sale price and the lower purchase price). However, Short positions carry the risk of losing money and these losses may grow theoretically unlimited if the price increases without limit and shall result into major losses in the portfolio. In addition, the short selling will also have the risk of inability to borrow the securities by the seller. Then, it might be possible that the short seller will be required to purchase the securities sold short to cover the short even if the price of the security is higher at the time of the short sale.

If a stock starts to rise and a large number of short sellers try to cover their positions at the same time, it can quickly drive up the price even further. This phenomenon is known as a short squeeze. This might result in major losses in the portfolio.

- **Securities Lending :**

It may be noted that Securities Lending activity would have the inherent probability of collateral value drastically falling in times of strong downward market trends or due to it being comprised of tainted/forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and /or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the Scheme. Besides, there can also be temporary illiquidity of the securities that are lent out and the Scheme may not be able to sell such lent out securities.

**Risk factors specific to Principal Index Fund, Principal Growth Fund, Principal Dividend Yield Fund, Principal Large Cap Fund, Principal Services Industries Fund, Principal Emerging Bluechip Fund, Principal Retail Equity Savings Fund and Principal Smart Equity Fund**

Principal Index Fund	Principal Growth Fund	Principal Dividend Yield Fund
<p>The value of the equity securities owned by the Scheme changes on a daily basis. Equity Securities, prices reflect the activities of individual companies and general market and economic conditions. In the short term, equity security prices can fluctuate dramatically in response to these factors.</p> <p><b>Tracking Error:</b> The performance of the Scheme may not be commensurate with the performance of the Nifty on any given day or over any given period. Such variation, referred to as tracking errors as defined elsewhere in this Scheme Information Document may result from a variety of factors including but not limited to:</p> <ul style="list-style-type: none"> <li>- The Nifty reflects the prices of securities at close of business hours. However the Scheme may buy or off-load securities at different points of time during the trading session at the then prevailing prices which may not correspond to the closing prices on the NSE.</li> <li>- IISL undertakes a periodical review of the scrips that comprise the Nifty and may either drop or include new securities. In such an event the Scheme will endeavour to reallocate its portfolio but the available investment opportunities may not permit precise mirroring of the Nifty.</li> <li>- Dis-investments to meet exits of investors, recurring expenses, etc. as elsewhere indicated in this Scheme Information Document.</li> </ul> <p>As with all Mutual Funds, the value of the Scheme's assets under this option may rise or fall. If units are redeemed when their value is less than the price paid for money may be lost by the Unitholder.</p>	<p>Prices of equity securities rise and fall in response to a number of factors including events that impact entire financial markets or industries (for example, changes in inflation or consumer demand) as well as events impacting a particular issuer (for example, news about the success or failure of a new product). The Securities purchased by the Scheme present greater opportunities for growth because of high potential earnings growth, but may also involve greater risks than securities that do not have the same potential. The Scheme may invest in companies with limited product lines, markets or financial resources. As a result, these securities may change in value more than those of larger, more established companies. As the value of the securities owned by the Scheme changes, the Scheme unit price changes. In the short-term, the price can fluctuate dramatically.</p> <p>As with all Mutual Funds, as the value of the Scheme's assets rise and fall, the Scheme unit price changes. If the units are redeemed when their value is less than the price paid for, money may be lost by the unitholder.</p>	<ol style="list-style-type: none"> <li>1. Though the investments would be made in companies having a track record of dividend payments, the performance of the scheme would inter-alia depend on the ability of these companies to sustain dividends in future.</li> <li>2. These stocks, at times, may be relatively less liquid as compared to growth stocks.</li> <li>3. The securities in the fund would be predominantly characterized as those having a value style. There could be time periods when securities of this nature would under-perform relative to other stocks in the market. This could have an impact on the relative performance of the fund over differing time periods.</li> </ol>

<b>Principal Large Cap Fund</b>	<b>Principal Services Industries Fund</b>	<b>Principal Emerging Bluechip Fund</b>
The scheme would have majority of its assets in companies with a large market capitalization. During the time periods when companies having small or mid-sized market capitalization do well, this scheme will underperform.	The investments under the Scheme are oriented towards equity/equity related securities of the Companies belonging to the service industries and hence will be affected by the risks associated with these industries. As the Scheme may hold securities that are not in the CNX Services Sector Index and may invest in limited number of industries with higher concentration to certain industries, it may perform differently from the general stock market. Further Scheme's performance may differ from the benchmark index to the extent of the investments held in the debt segment, as per the investment pattern indicated under normal circumstances.	<p>The investments under the Scheme will be concentrated in the Mid Cap segment and hence may perform differently than a broad market portfolio.</p> <p>Mid Cap &amp; small cap stocks are generally more volatile and less liquid as compared to Large Cap stocks. Further Schemes' performance may differ from the benchmark index to the extent of the investments held in the non midcap equities/debt segment, as per the investment pattern indicated under normal circumstances.</p>

<b>Principal Retail Equity Savings Fund</b>	<b>Principal Smart Equity Fund</b>
<p>The values of the equity securities owned by the Scheme are subject to change on a daily basis. Equity Security prices reflect the activities of individual companies and general market and economic conditions. In the short term, equity security prices can fluctuate dramatically in response to these factors.</p> <p>Value of debt securities are subject to change on a daily basis. Their prices reflect interest rates, market conditions and announcements of other economic, political or financial information. When interest rates fall, the price of a debt security rises and when interest rate rise, the price declines.</p> <p>As with all Mutual Funds, the value of the Scheme's assets under this option may rise or fall. If units are redeemed when their value is less than the price paid for money may be lost by the Unitholder.</p>	A portfolio managed on PE ratios may not outperform a fully invested portfolio even at the peak of a bull market.

## **RISK CONTROL**

Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. The risk control process involves reducing risks through portfolio diversification, taking care however not to dilute returns in the process. The AMC believes that this diversification would help achieve the desired level of consistency in returns. The AMC may also implement certain internal control procedures / risk & exposure limits etc., which may be varied from time to time.

The AMC aims to identify securities, which offer superior levels of yield at lower levels of risks. With the aim of controlling risks, rigorous in-depth credit evaluation of the securities proposed to be invested in, will be carried out by the investment team of the AMC.

The Scheme(s) may also use various derivatives and hedging products from time to time, as would be available and permitted by SEBI/RBI, in an attempt to protect the value of the portfolio and enhance Unitholders' interest.

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## **B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME(S)**

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The Scheme(s) shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme(s). The two conditions mentioned above shall be complied in each calendar quarter, on an average basis, as specified by SEBI. In case the Scheme(s) do not have a minimum of 20 investors, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme(s) shall be wound up and the units would be redeemed at applicable NAV. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 day notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

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## **C. SPECIAL CONSIDERATIONS**

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Investment in the Scheme(s) should be viewed by an investor/unit holder as a medium to long term investment as mutual funds carry normal market risks and there can be no assurance and no guarantee that the Scheme(s) will achieve its objective. It is recommended that an investment in the Scheme(s) should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all, as investment decisions made by the AMC will not always be profitable or prove to have been correct. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the Scheme(s) of Principal Mutual Fund, the Sponsor or its Group affiliates is not indicative of and does not guarantee the future performance of the Scheme(s). The name of the Scheme(s) does not in any manner indicate the quality of the Scheme(s), its future prospects or the returns. The Scheme(s) is not intended as a complete investment program. Investors, therefore, are urged to study the terms of this offer carefully and consult their Investment Advisor before they invest in the Scheme(s). Investors'/unit holders' attention is drawn to the risk factors set out in the beginning of this Scheme Information Document and also to the following specific risks as applicable to the Scheme where the asset allocation permits such investment:

**Regulatory Risks:** Neither this SID nor the Units have been registered in any jurisdiction. The distribution of this SID in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this SID are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of this SID or any accompanying application form in such jurisdiction may treat this SID or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this SID does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this SID and any persons wishing to apply for Units pursuant to this SID to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

Prospective investors should review/study this SID along with SAI carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/investment matters and are advised to consult their own professional advisor(s) as to the legal or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale, transfer, switch or redemption or conversion into money) of Units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (sale, transfer, switch or redemption or conversion into money) of Units within their jurisdiction/of nationality, residence, domicile etc. or under the laws of any jurisdiction to which they or any managed Funds to be

used to purchase/gift Units are subject, and (also) to determine possible legal, tax, financial or other consequences of subscribing/gifting to, purchasing or holding Units before making an application for Units.

No person has been authorized to give any information or to make any representations not confirmed in this SID in connection with the Offer of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the AMC or the Trustee. Statements made in this SID are based on the law and practice currently in force in India and are subject to change therein. Neither the delivery of this SID nor any sale made hereunder shall, under any circumstances, create any impression that the information herein is correct as of any time subsequent to the date hereof.

**Performance Risk:** The value of (and income from) an investment in the Scheme(s) can decrease as well as increase, depending on a variety of factors, which may affect the values and income generated by a Scheme's portfolio of securities. The returns of a Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, changes in government and Reserve Bank of India policy, taxation, political, economic or other developments and closure of the stock exchanges. Investors should understand that the investment composition indicated for the Scheme(s), in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there can be no assurance that the Scheme's investment objective will be attained nor will the Scheme(s) be in a position to maintain the model percentage of investment pattern/composition particularly under exceptional circumstances such that the interest of the unit holders are protected.

The AMC will endeavor to invest in highly researched growth companies, however the growth associated with equities is generally high as also the erosion in the value of the investments/portfolio in the case of the capital markets passing through a bearish phase is a distinct possibility. Changes in the prevailing rates of interest are likely to affect the value of the Scheme(s) investments and thus the value of the Scheme's Units. The value of money market/debt instruments held by the Scheme generally will vary inversely with the changes in prevailing interest rates. The AMC, while investing in fixed income instruments like debt, etc., shall consider and evaluate the risk of an issuer's ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity (market risk). While it is the intent of the AMC to invest primarily in more highly rated debt securities and highly researched growth companies, the Scheme(s) may from time to time invest in high yielding/growth, lower rated and/or privately placed/unlisted/securitised securities. Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than highly rated securities. The credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon, deferred interest bonds.

**Techniques Risk:** The Scheme(s) may use techniques (including derivatives, futures and options, warrants, etc.) and instruments that may be permitted and/or that may become permissible under SEBI/RBI Regulations and/or Regulations and/or statutory modification or re-enactment thereof for efficient portfolio management and to attempt to hedge or reduce the risk of such fluctuation. However, these techniques and instruments, if imperfectly used have the risk of the scheme(s) incurring losses due to mismatches particularly in a volatile market. The Fund's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any). The use of these techniques is dependent on the ability to predict movements in the prices of securities being hedged and movements in interest rates. There exists an imperfect correlation between the hedging instruments and the securities or market sectors being hedged. Besides, the fact that skills needed to use these instruments are different from those needed to select the Fund's/Scheme's securities. There is a possible absence of a liquid market for any particular instrument at any particular time even though the futures and options may be bought and sold on an organized stock exchange. The use of these techniques involves possible impediments to effective portfolio management or the ability to meet repurchase/redemption requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations.

**Political Risk:** Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved the removal of trade barriers and other protectionist measures, which could adversely affect the value of investments. It is possible that future changes in the Indian political situation, including political, social, or economic instability, diplomatic developments and changes in laws or regulations could have an effect on the value of investments. Expropriation, confiscatory taxation, or other relevant developments could also affect the value of investments.



**Forex Risk:** The Scheme(s) may also invest in overseas financial assets in accordance with the guidelines issued by the concerned regulatory authorities in India. To the extent that the assets of the Scheme(s) will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distribution and income may be adversely affected by changes in the value of respective foreign currencies relative to the Indian rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration and bi-lateral conflict leading to immobilisation of the overseas financial assets.

**Liquidity and Settlement Risks:** The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme(s) will invest in certain securities of certain companies, industries, sectors etc. based on certain investment parameters as adopted internally by AMC. While at all times the Trustees and the AMC will endeavor that excessive holding/investment in certain securities of industries, sectors, etc. by the Scheme(s) be avoided, the assets invested by the Scheme(s) in certain securities of industries, sectors, etc. may acquire a substantial portion of the Scheme's investment portfolio and collectively may constitute a risk associated with non-diversification and thus could affect the value of investments. The Scheme(s) may have difficulty in disposing of certain securities because the security may be unlisted, due to greater price fluctuations there may be a thin trading market, different settlement periods and transfer procedures for a particular security at any given time. Settlement if accomplished through physical delivery of stock certificates is labour and paper intensive and may affect the liquidity. It should be noted that the Fund bears the risk of purchasing fraudulent or tainted papers. The secondary market for money market/debt securities does exist, but is generally not as liquid as the secondary market for other securities. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event, such as the deterioration in the creditworthiness of the issuer, etc. or during restructuring of the Scheme's investment portfolio. Furthermore, from time to time, the AMC, the Custodian, the Registrar, any Associate, any distributor, dealer, any company, corporate body, trust, any scheme/Mutual Fund managed by the AMC or by any other AMC may invest in the Scheme. While at all times the Trustees and the AMC will endeavor that excessive holding of Units in the Scheme(s) among a few unit holders is avoided, however, the amounts invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unit holder in the Scheme(s). Accordingly, redemption of Units held by such persons may have an adverse impact on the value of the redemption and may impact the ability of the unit holders to redeem their respective Units.

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## **D. ABBREVIATIONS & DEFINITIONS**

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**ADRs and GDRs:** American Depositary Receipts (ADR) are negotiable certificates issued to represent a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. dollars. Global Depositary Receipts (GDRs) are negotiable certificates held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.

**AMC/Asset Management Company/Investment Manager/Principal:** Principal Pnb Asset Management Company Private Limited

**Applicable NAV:** The NAV applicable for subscription / redemption / Switch-in or switch out based on the time of the business day on which the application is accepted.

**Business Day:** A day other than:

- (i) Saturday and Sunday;
- (ii) a day on which the Banks in Mumbai and/or RBI are closed for business/ clearing;
- (iii) a day on which the Bombay Stock Exchange Limited and/or National Stock Exchange of India Limited are closed;
- (iv) a day on which sale and repurchase of units is suspended by the AMC;
- (v) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc.; and
- (vi) a day on which it is a non-business day for the underlying mutual fund Scheme(s).

Notwithstanding the above, the AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres.

**Calendar Year / Year:** A Calendar Year shall be full English Calendar months viz. 12 months commencing from 1st January and ending on 31st December.

**CBLO:** Collateralized Borrowing and Lending Obligations is a Money Market Instruments approved by RBI, (developed by Clearing Corporation of India Limited). CBLO is a discounted instrument issued in an electronic book entry form for maturity ranging from one day to one year

**Co-Settlers:** Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank, the co-settlers to the Principal Mutual Fund.

**Credit Risk:** Risk of default in payment of principal or interest or both.

**Custodian:** An entity (for the time being Citi Bank NA) appointed for holding the securities and other assets of the Fund.

**CDSC:** Contingent Deferred Sales Charge permitted under the Regulations to be borne by the Unit Holder upon exiting (whether by way of redemption or Inter-scheme switching) based on the amount of investment (if applicable) and period of holding of Units.

**Central Depository Services (India) Limited (CDSL)/ National Securities Depository Limited (NSDL):** A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.

**Day:** Any day (including Saturday, Sunday and holiday) as per English Calendar viz 365 days in a year.

**Debt Instruments :** Government securities, corporate debentures, bonds, promissory notes, money market instruments, pass-through obligations, asset backed securities/securitised debt and other possible similar securities.

**Depository:** Depository as defined in the Depository Act, 1996 (22 of 1996).

**Depository Participant:** A person registered as participant under sub section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 and who acts like an intermediary between the Depository and the investors to offer depository related services.

**Dividend:** Income distributed by the Mutual Fund on the units.

**Entry Load:** Load, if any, on sale/switch in of units.

**Equity related instruments:** Equity related instruments include convertible debentures, bonds, warrants, ADR/GDR's and equity derivatives.

**Exit Load:** Load on repurchase/switch out of units.

**FII(s):** Foreign Institutional Investor(s), registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995.

**Financial Year:** A Financial Year shall be full English Calendar months viz. 12 months commencing from 1st April and ending on 31st March.

**Fund/Mutual Fund:** Principal Mutual Fund, a trust set up under the provisions of the Indian Trust Act, 1882 and registered with SEBI bearing Registration No. MF/019/94/0 dated December 13, 1994.

**Fixed Income Securities :** Debt Securities created and issued by, inter alia, Central Government, State Government, Local Authorities, Municipal Corporations, PSUs, Public Companies, Private Companies, Bodies Corporate, Unincorporated Special Purpose Vehicles (SPVs) and any other entities which may be recognised/permitted which yield at fixed or variable rate by way of interest, premium, discount or a combination of any of them.

**Gilts/Government Securities :** As defined under Section 2(b) of the Securities Contract (Regulation) Act, 1956, Government Security means a security created and issued, whether before or after the commencement of the Act, by the Central Government and/or a State Government and having one of the forms specified in clause (2) of Section 2 of the Public Debt Act, 1944 (18 of 1944) including any amendments thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time; Treasury Bills, such other instruments as may be declared by Government of India and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in the securities.

**GOI:** Government of India.

**Group:** As defined in clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).

**IISL:** India Index Services & Products Limited

**Investment Management Agreement/IMA:** Investment Management Agreement dated 25/11/94 as amended from time to time, between the Trustee and AMC.

**ISC / Investor Service Centre:** Offices of AMC and such other centres / offices as may be designated by the AMC from time to time as its Investor Service Centre. It shall also include the Official Points of Acceptance as mentioned on the last / back cover page of this SID.

**Load:** A sum of money deducted from the value received or paid to the unitholder towards Sale/Repurchase of units.

**MFSS:** Mutual Fund Service System (MFSS) is an online order collection system provided by NSE to its eligible brokers for placing subscription or redemption orders on MFSS, based on orders received from the investors.

**Midcap stocks:** Midcap stocks are defined as stocks with the market cap in the range of the market cap of the benchmark CNX Midcap Index; and which may or may not be a constituent of the CNX Midcap Index; and which may or may not be a constituent of the CNX Midcap Index at the time of investment. The universe may also include Initial Public Offerings whose market capitalization would be as per the above-mentioned criteria. This midcap range will be so determined taking into account the midcap range of the benchmark index at the end of every calendar quarter; such mid cap range once determined at quarter end will apply to all investment decisions made during the following quarter.

**Money Market Instruments:** Includes Commercial Papers, Commercial Bills, Treasury Bills, Government securities having an unexpired maturity up to one year Call or Notice Money, Certificate of Deposit, Usance Bill and any other like instrument as specified by RBI from time to time.

**NAV:** Net Asset Value of the units of the Scheme (and Options therein) calculated in the manner provided in this Scheme Information Document by dividing the net assets by the number of outstanding units (on any valuation day) or as may be prescribed by the SEBI Regulations from time to time. The NAV will be computed up to two decimal places (in case of Principal Index Fund upto four decimal).

**Net Assets:** Net Assets of the Scheme at any time shall be the total value of the Schemes' assets, less its liabilities taking into consideration the accruals and the provision.

**NFO:** New Fund Offer.

**Non Resident/NRI:** Non resident is any person who is not a resident in India.

**NSE :** National Stock Exchange of India Limited

**Official Points of Acceptance / Transactions (OPT):** Offices as specified by AMC from time to time where application for subscription / redemption will be accepted on an ongoing basis.

**OCB :** Overseas Corporate Bodies, partnership firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by non-resident individuals of Indian nationality or origin, as also an overseas trust in which at least 60% of the beneficial interest is irrevocably held by such persons.

**Person of Indian Origin:** A person (not being a citizen of Pakistan or Bangladesh or Sri Lanka) shall be deemed to be of Indian origin, if

- i) He (She), at any time, held an Indian Passport;
- ii) He (She) or either of his (her) parents or any of his (her) grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
- iii) The person is the spouse of an Indian citizen or of a person of Indian origin (not being a citizen of Pakistan or Bangladesh or Sri Lanka).

**Permissible Investments or Investments :** Collective or group investments made on account of the unitholders of the scheme(s) in Securities and other assets in accordance with the SEBI/RBI Regulations and amendments thereto.

**Portfolio:** Portfolio at any time shall include all Permissible Investments and Cash.

**RBI:** Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.

**Registrars/Registrar and Transfer Agent :** Registrar for the time being of the Mutual Fund which, at present, is Karvy Computershare Pvt. Ltd., or such agency appointed by the AMC.

**Regulations :** Regulations imply SEBI Regulations and the relevant rules and provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996; Public Debt Act, 1944; The Income Tax Act, 1961; Wealth Tax Act, 1957, the Foreign Exchange Management Act, 1999, the Indian Trusts Act, 1882 as amended from time to time and shall also include any Circulars, Press releases or Notifications that may be issued by SEBI or the Government of India or the Reserve Bank of India.

**Repo/Reverse Repo:** Sale/Purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.

**Repurchase/Redemption:** The units of the Scheme(s) which will be bought back by the Fund on an ongoing basis.

**Resident:** A resident means any person resident in India under the Foreign Exchange Management Act, and under the Income Tax Act, 1961 including amendments thereto from time to time.

**SAI:** Statement of Additional Information of Principal Mutual Fund

**Sale/ Subscription:** The units of the scheme(s) which will be offered for sale to the unit holders on an ongoing basis.

**Schemes/Plans:** Would mean Principal Index Fund, Principal Growth Fund, Principal Dividend Yield Fund, Principal Large Cap Fund, Principal Services Industries Fund, Principal Emerging Bluechip Fund, Principal Retail Equity Savings Fund and Principal Smart Equity Fund and Plans and Options there under offered by the Fund.

**Scheme Information Document/SID:** This document issued by Principal Mutual Fund, inviting to subscribe to the units of the schemes of the Mutual Fund.

**SEBI:** Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992, as amended from time to time.

**SEBI Regulations/Mutual Fund Regulations:** The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, or such other Regulation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time for regulating Mutual Funds in India, by SEBI.

**Securities :** As defined under Section 2(h) of the Securities Contracts (Regulations) Act, 1956 of India and includes but not limited to shares, scrips, stocks etc., Debt instruments like notes bonds, debentures, debenture stock, warrants,

etc., futures, options, derivatives etc. or other transferable securities of a like nature in or of any incorporated company or other body corporate, Gilts/Government securities, Mutual Fund units, Money Market Instruments like Call Deposit, Commercial Paper, Treasury Bills etc. such other instruments as may be declared by GOI and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in securities, mortgage/Asset backed securities, securitized receivable auto loans, etc.

**Small Cap Stocks:** Small cap stocks for the purpose of Principal Emerging Bluechip Fund shall be identified and defined as follows:

- (1) identifying bottom five stocks of CNX Midcap Index in respect of market capitalization on the last trading day of the preceding calendar quarter; and
- (2) the average market cap for the last five trading days will be computed; and
- (3) small cap stock will be one with the market cap below this average market cap so computed.

**Sponsor:** Principal Financial Services Inc., USA acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited.

**Switch:** Transfer of units of one Scheme of Principal Mutual Fund to another Scheme of Principal Mutual Fund. Valid applications for “switch out” shall be treated as redemptions and for “switch in” shall be treated as purchases and the cut-off timings shall be applicable, accordingly.

**Systematic Investment Plan(s):** A plan enabling the investors to systematically save and invest in the Scheme on monthly/quarterly (such other defined periodicity) basis by submitting post-dated cheques / payment instructions

**Systematic Transfer /Switch Plan(s):** A Plan enabling the investors to transfer sums on a monthly, quarterly, semi-annually or annual basis from the Schemes to the other Schemes of the Mutual Fund existing or launched in future from time to time, by giving a simple instruction.

**Systematic Withdrawal Plan(s):** A Plan enabling the investors to withdraw amounts from the Scheme on a monthly, quarterly, semi-annually or annual basis by giving a simple instruction.

**Tax Act:** Income Tax Act, 1961 and Wealth Tax Act 1957 or such other legislation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/rules, regulations any clarification and guidelines issued from time to time by the GOI.

**Total Assets:** Total Assets of the Scheme at any time shall be the total value of the Scheme’s assets, taking into consideration the accruals.

**Tracking Error :** To the extent which the NAV of Principal Index Fund moves in a manner inconsistent with the movements of its underlying Index on any given day or over any given period of time arising from any cause or reason whatsoever including but not limited to differences in the weightage of the investments in the securities and the weightage to such securities in the Index; time lags in deployment or realization of the funds under the Scheme as compared to the movement of or within such Index.

**Trust Deed:** The Trust Deed of the Mutual Fund dated November 25, 1994 made by and between the Sponsor and the Trustee as amended from time to time or any replacement or substitution thereof.

**Trustee:** Principal Trustee Company Private Limited incorporated under the Companies Act, 1956.

**Unitholder:** Individual / Non Individual holding Units of the respective Scheme(s).

**Units:** Undivided Share of a unitholder in the assets of the Scheme (and of the option(s), if any as evidenced by any letter/advice or any other statement/ certificate/instrument.

#### **Interpretation**

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- ♦The terms defined in this Scheme Information Document include the plural as well as the singular.

- ♦Pronouns having a masculine or feminine gender shall be deemed to include the other.
- ♦ Reference to 'Scheme'/'Scheme(s)' would mean and include all the Schemes under this Scheme Information Document unless specified otherwise.

In this Scheme Information Document, all references to "dollars" or "\$" refers to United States dollars, and "₹" refers to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".

## **E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

### **DUE DILIGENCE CERTIFICATE**

It is confirmed that:

1. the Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time:
2. all legal requirements connected with the launching of the scheme(s) as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
3. the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the scheme.
4. the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

For **Principal Pnb Asset Management Company Private Limited**

Sd/-

**Sujata Punjabi**

**Head – Legal & Compliance**

Date: May 18, 2012

## **III. INFORMATION ABOUT THE SCHEME(S)**

### **A. TYPE OF THE SCHEME(S)**

<b>Name of the Scheme(s)</b>	<b>Type of Scheme(s)</b>
Principal Index Fund	An Open Ended Index Scheme
Principal Growth Fund	An Open Ended Equity Scheme
Principal Dividend Yield Fund	
Principal Large Cap Fund	
Principal Services Industries Fund	
Principal Emerging Blue chip Fund	
Principal Retail Equity Savings Fund	
Principal Smart Equity Fund	

### **B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME(S)?**

<b>Name of the Scheme(s)</b>	<b>Investment Objective(s) of Scheme(s)</b>
Principal Index Fund	To invest principally in securities that comprise S&P CNX Nifty (NSE) and subject to tracking errors endeavour to attain results commensurate with the Nifty.
Principal Growth Fund	To achieve long – term capital appreciation.
Principal Dividend Yield Fund	The investment objective of the scheme would be to provide capital appreciation and/or dividend distribution by investing predominantly in a well-diversified

	portfolio of companies that have a relatively high dividend yield.
Principal Large Cap Fund	The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by predominantly investing in companies having a large market capitalization.
Principal Services Industries Fund	To provide capital appreciation and income distribution to the unit holders by investing predominantly in equity/equity related securities of the companies belonging to the services industries and the balance in debt securities and money market instruments including call money.
Principal Emerging Bluechip Fund	The primary objective of the Scheme is to achieve long-term capital appreciation by investing in equity & equity related instruments of mid cap & small cap companies.
Principal Retail Equity Savings Fund	To provide long term capital appreciation and regular income by investing in equity and equity related instruments and also in debt and money market instruments
Principal Smart Equity Fund	The primary objective of the scheme is to seek to generate long term capital appreciation with relatively lower volatility through systematic allocation of funds into equity; and in debt /money market instruments for defensive purposes. The Scheme will decide on allocation of funds into equity assets based on equity market Price Earning Ratio (PE Ratio) levels. When the markets become expensive in terms of 'Price to Earnings' Ratio; the Scheme will reduce its allocation to equities and move assets into debt and/or money market instruments and vice versa.

### C. HOW WILL THE SCHEME(S) ALLOCATE ITS ASSETS?

Under normal circumstances, the asset allocation pattern of the Scheme(s) would be as follows:-

Principal Index Fund	<b>Type of Instrument</b>	<b>Normal Allocation (% of Net Assets)</b>		<b>Risk Profile</b>
		<b>Minimum</b>	<b>Maximum</b>	
	Nifty Stocks	0	100	Medium to High
	Money Market Instruments	0	10	Low
	<p>The Asset Management Company reserves the right to invest in derivatives up to 50% of the net assets of the Scheme.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p>			
Principal Growth Fund	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>		<b>Risk Profile</b>
		<b>Minimum</b>	<b>Maximum</b>	
	Equity and Equity Related Instruments	65	100	High
	Debt (including securitised debt*) and Money market	0	35	Low to Medium

	instruments																					
	* Investment in Securitized Debt may be up to 35% of the net assets of the Scheme																					
	The Asset Management Company (AMC) reserves the right to invest in Derivatives upto 50% of the net assets of the Scheme.																					
	The AMC further reserves the right to invest in ADRs / GDRs and / or Overseas Financial debt instruments including units of Overseas Mutual Funds not exceeding 15% of the net assets of the Scheme. Investment in Derivatives / ADRs / GDRs / Overseas Financial debt instruments shall be subject to restrictions imposed by SEBI / RBI or any other regulatory authority from time to time.																					
	Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.																					
Principal Dividend Yield Fund	<table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Equity and equity related instruments of high dividend-yield companies*</td><td>65</td><td>100</td><td>High</td></tr><tr><td>Other equity and equity-related instruments</td><td>0</td><td>35</td><td>High</td></tr><tr><td>Cash and Money Market Instruments</td><td>0</td><td>20</td><td>Low to Medium</td></tr></table>				Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Equity and equity related instruments of high dividend-yield companies*	65	100	High	Other equity and equity-related instruments	0	35	High	Cash and Money Market Instruments	0	20	Low to Medium
	Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile																		
		Minimum	Maximum																			
	Equity and equity related instruments of high dividend-yield companies*	65	100	High																		
	Other equity and equity-related instruments	0	35	High																		
	Cash and Money Market Instruments	0	20	Low to Medium																		
	* High dividend-yield companies are defined as those having a dividend-yield (i.e last declared dividend as a percentage of the market price at the time of investment) higher than 1.5 times that of the NSE Nifty on the earlier trading day.																					
	The scheme intends to use derivatives for purposes that may be permitted by SEBI (Mutual Funds) Regulations, 1996 from time to time. The scheme shall have a maximum net derivatives position up to 50% of the portfolio.																					
	The Scheme may also invest in overseas financial debt instruments including units of overseas mutual funds, as detailed below:-																					
	Investments will only be made in instruments denominated in US Dollar, Singapore Dollar, Japanese Yen, Euro or Sterling Pound on in any other liquid currency as may be decided by the AMC from time to time and will be subject to following limits:																					
<table><tr><th>Particulars</th><th>Normal Allocation (% of Net Assets)</th></tr><tr><td>Investment in overseas financial debt instruments including units of overseas mutual funds</td><td>Not exceeding 35% of the Scheme's assets subject to a maximum limit of US \$300 million per mutual fund or such other limit as specified by SEBI from time to time.</td></tr></table>				Particulars	Normal Allocation (% of Net Assets)	Investment in overseas financial debt instruments including units of overseas mutual funds	Not exceeding 35% of the Scheme's assets subject to a maximum limit of US \$300 million per mutual fund or such other limit as specified by SEBI from time to time.															
Particulars	Normal Allocation (% of Net Assets)																					
Investment in overseas financial debt instruments including units of overseas mutual funds	Not exceeding 35% of the Scheme's assets subject to a maximum limit of US \$300 million per mutual fund or such other limit as specified by SEBI from time to time.																					



Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.

## Principal Large Cap Fund

Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile
	Minimum	Maximum	
(1) Large Cap Equity and Equity related instruments**	65	100	High
(2) Equity & Equity related instruments (other than in (1) above)	0	35	High
(3) Money Market Instruments	0	30	Low to Medium

\*\* For the purpose of this Fund, Large Cap Companies are defined as those having market capitalisation greater than ₹750 crore as on the date of investment (or any such amount as may be specified by India Index Services and Products Limited (IISL) from time to time) being the upper limit of market capitalisation as a criteria for inclusion of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of 'Large Cap companies', the same will be utilised.

The AMC reserves the right to invest in foreign securities and derivatives as follows:-

Particulars	Normal Allocation (% of Net Assets)
Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.
Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.

**Principal Services Industries Fund**

Types of Instruments	Normal Allocation (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Equity and Equity Related Instruments of Services Industries	70%	100%	High
Debt (including securitised debt*) and Money market instruments	0%	30%	Low to Medium

\*Investment in the securitised debt may be up to 30% of the net assets of the Scheme

The Asset Management Company reserves the right to invest in foreign securities and derivatives as follows:

Particulars	Normal Allocation (% of Net Assets)
Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.
Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.

**Principal Emerging Bluechip Fund**

Types of Instruments	Normal Allocation (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Equity & equity related instruments of Mid Cap companies	65	95	High
Equity & equity related instruments of Small Cap companies	5	15	High
Equity & equity related instruments of Companies other than Mid & Small Cap companies	0	30	Low to Medium
Total Equity	70	100	High
Cash & Money Market / Fixed Income Securities (including MIBOR Linked Short Term Papers & Securitised Debt*)	0	30	Low to Medium

\*Investment in Securitised Debt may be up to 30% of the net assets of the Scheme.

**Note:** The Asset Management Company (AMC) reserves the right to invest in derivatives (Equity Derivatives) not exceeding 50 % of the Net Assets, subject to limits specified by SEBI from time to time. The AMC further reserves the right to invest in foreign securities and derivatives subject to SEBI/RBI or any other Regulatory Authorities permitted from time to time.

### Principal Retail Equity Savings Fund

Under normal circumstances, the asset allocation will be as under:

Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Equity & Equity Related Instruments	65	100	Medium to High
Debt and Money Market Instruments (including units of Liquid/ Money Market/ Debt Mutual Fund Schemes and Securitised Debt*)	0	35%	Low to Medium

\* Investment in Securitised Debt may be upto 20% of the net assets of the Scheme.

The Asset Management Company reserves the right to invest in derivatives as follows:

Particulars	Normal Allocation (% of Net Assets)
Derivatives	Upto 50% of the net assets of the Scheme

Investment in Overseas Financial Instruments are as follows:

Particulars	Normal Allocation (% of Net Assets)
ADRs / GDRs	Not exceeding 15% of the Scheme's Assets
Overseas Financial Debt Instruments including overseas Mutual Funds	Not exceeding 25% of the Scheme's Assets

Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.

### Principal Smart Equity Fund

Under normal circumstances, the asset allocation of the Scheme will be as under:

Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Equity & Equity Related Instruments of Large Cap Companies	0%	100%	Medium to High
Debt or Money Market Securities and/or units of money market/liquid schemes of Principal Mutual Fund.	0%	100%	Low to Medium

Investment in derivatives shall be upto 50% of the net assets of the Scheme. Deployment upto 50% of its total net assets of the Scheme in Stock Lending, subject to the SEBI regulations.

The Scheme has no intention to invest in Securitised Debt.

Large Cap Stocks are defined as stocks with market cap equal to or above the

market cap of the lowest market cap stock of the BSE 100 Index and which may or may not be a constituent of the BSE 100 Index at the time of investment. The universe may also include Initial Public Offerings whose market capitalization would be as per the above-mentioned criteria. This large cap cutoff will be so determined taking into account the full market cap range of the BSE 100 index at the end of every calendar quarter. Such market cap range once determined at quarter-end will apply to all investment decisions made during the following quarter. The market cap criteria will apply only at the time of making investment decision. If a stock so qualifies for investment based on above market cap criteria at the time of investment; the fund may continue to hold the stock irrespective of market cap movement of the stock subsequent to investment in the stock. The lower end of the full market cap of BSE 100 Index as on March 30, 2012 was ₹3,588.77 Crore.

Under normal circumstances; the scheme's equity allocation may follow the pattern below; based on S&P CNX Nifty PE Ratio Level –

<b>Weighted Average PE Ratio of S&amp;P CNX Nifty</b>	<b>Equity Component (%)</b>	<b>Debt Component (%)</b>
Upto 16	100	0
Above 16 – Upto 18	80 - 100	0 - 20
Above 18 – Upto 20	60 - 80	20 - 40
Above 20 – Upto 24	30 - 50	50 - 70
Above 24 – Upto 26	10 - 20	80 - 90
Above 26 – Upto 28	0 - 10	90 - 100
Above 28	0	100

For this purpose the month end PE Ratio of S&P CNX Nifty Index (NSE Nifty) will be considered.

Such a PE Ratio will be the month end weighted average PE Ratio of the constituent stocks making up the S&P CNX Nifty Index. The Price considered will be the closing market price on the NSE as at the month end. The undiluted earnings per share will reflect the trailing earnings of the most recent four quarters of each of the companies, for which information is available.

This PE ratio will be rounded off to the nearest decimal. Thus every month end we would observe the above mentioned PE ratio and the resultant PE band. The investment strategy outlines different PE bands and the asset allocation applicable to each band. If there is a change in the PE band as observed on the latest month-end as compared to last month-end (due to Nifty's PE moving out of one band to another) then it will require rebalancing of portfolio to bring the equity component in line with the new band. This rebalancing would be done latest before the end of the subsequent month.

The Trustee reserves the right; to change the above said PE Ratio bands or to apply any other criteria for determining the allocation of funds to equity instruments, if the NSE Nifty Index is either suspended or becomes irrelevant for any reasons whatsoever.

Short-term surpluses/funds under the scheme pending deployment in terms of investment objective of the scheme(s) can be deployed in the inter-bank call/notice money market. In longer-term assets, sovereign bonds (government securities and treasury bills) which are the most liquid instruments dominate the market. Banks, Institutions, Primary Dealers and Mutual Funds are the dominant participants in this market. Other instruments available for

investment are commercial papers, certificates of deposit, promissory notes, non-convertible debentures/floating rates bonds, securitised instruments etc. (subject to the asset allocation pattern of the Scheme(s)). Various factors such as interest rate movement, fluctuation in the bond markets, political instability, changes in the economic environment, changes in the rating, changes in the tax laws and/or Regulations and/or RBI policies, changes in the liquidity conditions in the money market etc. affect the prices of debt instruments.

There is no assurance that the objective of the Scheme(s) may be achieved. Subject to SEBI Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors.

The AMC may from time to time, for a short term, alter the asset composition on defensive consideration and may also invest the funds available in repos, bank deposits and/ or other securities in accordance with the provisions of SEBI (Mutual Funds) Regulations, 1996 and the circulars issued by SEBI from time to time.

The Percentages stated above are only indicative and not absolute. These proportions may vary substantially depending upon the perception of the AMC, the intention being at all times to seek to protect the NAV of the Scheme(s) and interests of the Unit holders. Such changes in the investment pattern will be for short term and only for defensive considerations.

Any change in the investment composition of a Scheme(s) and amounting to a change in the fundamental attributes of such Scheme will be in accordance with sub regulation 15A of regulation 18 of SEBI Regulations.

#### **Specific to Principal Smart Equity Fund:**

The asset allocation pattern may be altered from time to time on a short-term basis on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and, political and economic factors. This may involve up to a 100% of the Fund's assets or a substantial portion thereof being invested in cash, cash equivalent or other high quality short term instruments, including call rate linked instruments, bank fixed deposits, etc. The manager may also invest in these types of securities or hold cash while looking for suitable investment opportunities and/or to maintain liquidity. In these circumstances, the Fund may be unable to achieve its investment goal. It may be noted that no prior intimation/indication would be given to investors when the composition/asset allocation pattern under the scheme undergo changes for defensive considerations as above.

The above percentages would be adhered to at the point of investment in a stock. The portfolio would be reviewed quarterly to address any deviations from the aforementioned allocations due to market changes. Considering the inherent characteristics of the scheme, equity positions may have to built-up gradually and also sold off gradually. This may entail having large cash positions before the portfolio is fully invested and during periods when equity positions are being sold off to book profits/losses or to meet redemption needs.

However, if the asset allocation pattern is to be altered on a permanent basis; then the procedure laid down by SEBI for making changes in a fund's fundamental attributes shall be complied with.

#### **Overview of Debt & Money Market in India:**

Indian debt markets have witnessed a rapid growth in last couple of years aided by increased government borrowing and initiatives by Reserve Bank of India to implement structural changes in the market place. The debt market is primarily divided into four segments - government securities market, corporate debt market, short-term placement market and derivatives market. While government securities market is highly liquid and accounts for almost 90% of daily market turnover, corporate debt and derivatives markets are developing rapidly. The volumes in the government securities market range between ₹1,500 to ₹20,000 crores. The main participants in debt market are banks, primary dealers, mutual funds, insurance companies, provident funds and corporates. The government securities are issued in the form of Treasury Bills (91 and 364 days) and long-term bonds. The corporate debt issuance is in the form of short-term commercial papers (upto 1yr) and short and long-term debentures. Of late, securitized asset issuance has gone up sharply with several financial intermediaries issuing asset-backed securities on their assets like commercial loans, personal loans, housing loans etc. The short-term placement market comprises call money, bank deposits and very short maturity corporate debentures. The kinds of risk associated with fixed-income investment are interest rate risk, credit risk and liquidity risk.

Following table exhibits various debt instruments along with recent indicative yields.

<b>Instrument and Maturity Profile</b>	<b>Indicative Yield (p.a.)</b>	<b>Liquidity Profile</b>	<b>Risk</b>
Treasury bills 3 months – 1 year	8.25% – 8.45%	High	Low
Government of India Securities – 1 – 3 Years	8.15% - 8.30%	High	Low to Moderate
Government of India Securities – 3 - 7 Years	8.30% - 8.45%	High	Moderate
Government of India Securities – 7 -20 Years	8.40% - 8.80%	High	High
Money Market Instruments	9.75% - 10.50%	High	Low
Corporate Bonds AAA rated – 1 -3 Years Maturity	9.75% - 10.20%	Moderate to High	Low to Moderate
Corporate Bonds AAA rated 3-5 years Maturity	9.50% - 10.20%	Moderate to High	Moderate to High
Corporate Bonds below AAA rated but of investment grade 3-5 years	10.50% - 12.00%	Low to Moderate	Moderate to High

## **STOCK LENDING BY THE MUTUAL FUND**

Stock Lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio. The securities lent are to be returned by the borrower on the expiry of the stipulated period.

To augment revenue generation the Scheme(s) (except Principal Large Cap Fund, Principal Services Industries Fund), may lend the securities held by it to eligible brokers, dealers, financial institutions through approved intermediaries, in amounts up to 50% of its total net assets at the time of lending, in accordance with the terms of the Securities Lending Scheme announced by SEBI. The Fund may enter into an agreement with the approved intermediary for depositing the securities for the purpose of lending through the approved intermediary on satisfactory terms as to security.

The Scheme(s) would limit its exposure, with regard to securities lending, for a single intermediary, other than the National Securities Clearing Corporation Ltd (NSCCL), to the extent of 10% of the total net assets of the Scheme(s) at the time of lending. For NSCCL, such exposure limit would be up to 50% of the total net assets of the Scheme(s). Collateral must be obtained by the approved intermediary for the lending transactions and this collateral must exceed in value of the Securities lent. The collateral can be in the form of cash, bank guarantee, government securities, certificate of deposits or other securities as may be agreed upon with the approved intermediary. It should be noted that any default/delay by the parties to return the securities lent to them may have an adverse impact on the net assets (and consequently the performance) of the scheme(s).

## **INVESTMENT PROCESS**

There is separate team for investment in fixed income instruments & equities. The team works under the supervision of Chief Investment Officer (CIO). CIO is overall in charge for the Fund's investment.

The Investment Manager will carry out the daily investment activities within the framework of SEBI guidelines in accordance with the investment objective as per the Scheme Information Document. The Board of AMC and Trustee will review the performance of the Scheme(s) in comparison to corresponding schemes of other mutual funds with similar investment objective and asset profile generally. The performance of the Scheme(s) will be compared with benchmark. The AMC has been recording investment decisions since the receipt of instructions from SEBI.

## **Review by Board of AMC and Trustees**

A detailed review of the schemes of the Fund including its performance vis-à-vis benchmark index, assets size, rankings/ratings received, if any is placed before the Board of Directors of AMC and to the Trustee on a quarterly basis.

#### **D. WHERE WILL THE SCHEME(S) INVEST?**

##### **PRINCIPAL INDEX FUND**

- Principal Index Fund is structured as an Index linked open ended equity scheme with the objective to invest principally in securities of companies whose securities are included in Nifty and subject to tracking errors endeavour to attain results commensurate with the Nifty. This would be done by investing in all the stocks comprising the S&P CNX Nifty Index in approximately the same weightage that they represent in S&P CNX Nifty Index.
- The scheme has been designed with the intention of tracking the movement of securities from time to time included in the Nifty. The Scheme plans to do this by investing the entire corpus in the stocks that comprise the Nifty in similar weights to the weightage given by Nifty so that the portfolio would appreciate or depreciate (subject to tracking errors) in more or less the same manner as the Nifty. Subject to the requirements of cash flows to meet the recurring expenses and to service investors who decide to exit from the Scheme or for distribution of income to investors, it is proposed that income (by way of dividend or otherwise) will be invested in the Nifty securities. It is also proposed that disinvestment will take place only on investors exiting from the Scheme or any security ceasing to be included in the Nifty or to meet the cash flow requirements.
- The Nifty is designed to reflect the perceptions of the investors about the Indian economy. This is sought to be achieved by IISL by including companies representing a cross-section of the various sectors of the Indian economy. By endeavouring to track the Nifty to the extent possible under the prevailing circumstances and environment objectives and the features of the Scheme, the Fund expects to generate returns approximating the performance of the Nifty.
- However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder
- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.
- The Asset Management Company further reserves the right to invest in foreign securities and derivatives subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time.

##### **PRINCIPAL LARGE CAP FUND**

- The corpus of the Scheme shall be predominantly invested in equity and equity related instruments of Large Cap Companies. The Scheme may invest a part of its corpus in debt oriented and money market securities/instruments/funds, to manage its liquidity requirements. However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder;
- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other

mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations;

- The Asset Management Company further reserves the right to invest in foreign securities and equity derivatives subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time;

**The Scheme shall not make investments in foreign debt instruments including foreign securitized debt.**

**Foreign / Overseas securities shall without limitation include:-**

- ADRs/ GDRs issued by Indian or foreign companies
- Equity of overseas companies listed on recognized stock exchanges overseas
- Initial and follow on public offerings for listing at recognized stock exchanges overseas
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).
- And such other Securities as may be prescribed by SEBI/RBI from time to time.

#### **PRINCIPAL GROWTH FUND**

- The corpus of the Scheme shall be predominantly invested in equity and equity related instruments. The Scheme may invest a part of its corpus in debt oriented and money market securities/instruments/funds, to manage its liquidity requirements. However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder;
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations;
- The Scheme may participate in securities lending as permitted under the Regulations;
- The Asset Management Company further reserves the right to invest in foreign securities and derivatives subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time.

**Foreign / Overseas securities shall without limitation include:-**

- ADRs/ GDRs issued by Indian or foreign companies
- Equity of overseas companies listed on recognized stock exchanges overseas
- Initial and follow on public offerings for listing at recognized stock exchanges overseas
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).
- Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- Money market instruments rated not below investment grade
- Repos in the form of investment, where the counterparty is rated not below investment grade
- Government securities where the countries are rated not below investment grade
- Short term deposits with banks overseas where the issuer is rated not below investment grade

And such other Securities as may be prescribed by SEBI/RBI from time to time.



### PRINCIPAL DIVIDEND YIELD FUND

- The corpus of the Scheme shall be predominantly invested in equity and equity related instruments of \*high dividend yield companies. The overall portfolio structuring would aim at controlling risk at a moderate level. The Scheme shall invest a part of its corpus in equity / equity related instruments other than those mentioned above. Further the Scheme may also invest part of its corpus in money market securities/instruments/funds, to manage its liquidity requirements. However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder;

*\*High dividend-yield companies are defined as those having a dividend-yield (i.e last declared dividend as a percentage of the market price at the time of investment) higher than 1.5 times that of the NSE Nifty on the earlier trading day.*

While the criterion of high dividend-yields would be used to identify the investment universe from which the portfolio will be constructed, within this universe, there will be a strong focus on selecting companies with a consistent dividend track-record, strong business fundamentals, good quality of management, strong cash generation in excess of their capital expenditure requirements, strong balance sheets and attractive valuations

- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations;

The Asset Management Company further reserves the right to invest in derivatives and Foreign debt securities subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time.

#### **Foreign Debt securities shall without limitation include:-**

- Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- Money market instruments rated not below investment grade
- Repos in the form of investment, where the counterparty is rated not below investment grade
- Government securities where the countries are rated not below investment grade
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Short term deposits with banks overseas where the issuer is rated not below investment grade
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets)

And such other Securities as may be prescribed by SEBI/RBI from time to time.

### PRINCIPAL SERVICES INDUSTRIES FUND

- The corpus of the Scheme shall be predominantly invested in equity and equity related instruments of Services Industries. The Scheme may invest a part of its corpus in debt oriented and money market securities/instruments/funds, to manage its liquidity requirements. However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder;

- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations;
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations;
- The Asset Management Company further reserves the right to invest in foreign equity securities and equity derivatives subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time;

**The Scheme shall not make investments in foreign debt instruments including foreign securitized debt.**

**Foreign / Overseas securities shall without limitation include:-**

- ADRs/ GDRs issued by Indian or foreign companies
- Equity of overseas companies listed on recognized stock exchanges overseas
- Initial and follow on public offerings for listing at recognized stock exchanges overseas
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).
- And such other Securities as may be prescribed by SEBI/RBI from time to time.

#### **PRINCIPAL EMERGING BLUECHIP FUND**

- The corpus of the Scheme shall be predominantly invested in equity and equity related instruments of Mid Cap Companies;
- The Scheme may invest a part of its corpus in equity and equity related instruments of small cap and companies other than Mid and Small Cap;
- Part of the Scheme corpus may also be invested in debt and money market securities/instruments/funds to manage its liquidity requirements;

However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder;

- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations

The Asset Management Company further reserves the right to invest in equity derivatives and Foreign securities subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time.

**Foreign / Overseas securities shall without limitation include:-**

- ADRs/ GDRs issued by Indian or foreign companies
- Equity of overseas companies listed on recognized stock exchanges overseas

- Initial and follow on public offerings for listing at recognized stock exchanges overseas
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).
- Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- Money market instruments rated not below investment grade
- Repos in the form of investment, where the counterparty is rated not below investment grade
- Government securities where the countries are rated not below investment grade
- Short term deposits with banks overseas where the issuer is rated not below investment grade

And such other Securities as may be prescribed by SEBI/RBI from time to time.

#### **PRINCIPAL RETAIL EQUITY SAVINGS FUND**

- The corpus of the scheme(s) shall be predominantly invested in equity and equity related instruments. The Scheme(s) may invest a part of its corpus in Debt Oriented and Money Market Securities/Units of Liquid/Money Market/Debt Mutual Fund Schemes, to manage its liquidity requirements.

However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder.

- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations;
- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so.
- The Scheme may participate in securities lending as permitted under the Regulations.
- The Scheme shall invest not exceeding 15% of the Scheme's assets in ADRs/GDRs and not exceeding 25% of the Scheme's assets in Overseas Financial debt instruments including units of overseas mutual funds. The Asset Management Company further reserves the right to invest in other foreign securities subject to relevant provisions/permission of SEBI / RBI or any other Regulatory Authorities from time to time.
- And such other Securities as may be prescribed by SEBI/RBI from time to time

#### **Foreign / Overseas securities shall without limitation include:-**

- ADRs/ GDRs issued by Indian or foreign companies
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- Money market instruments rated not below investment grade
- Repos in the form of investment, where the counterparty is rated not below investment grade
- Government securities where the countries are rated not below investment grade
- Short term deposits with banks overseas where the issuer is rated not below investment grade
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).
- And such other Securities as may be prescribed by SEBI/RBI from time to time.

Asset Management Company reserves the right to invest in derivatives pursuant to the asset allocation pattern of the Scheme

#### **PRINCIPAL SMART EQUITY FUND**

- The corpus of the Scheme will be invested in equity and equity related instruments of Large Cap companies as debt and money market instruments.
- The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other n without charging any fees on such investments, within the limits specified under SEBI Regulations
- The Asset Management Company further reserves the right to invest in derivatives subject to SEBI / RBI or Regulatory Authorities permitted from time to time.
- At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as per the Regulations.

The securities may be acquired by the Scheme(s) through Initial Public Offerings (IPOs), secondary market operations, private placement, right offers or negotiated deals. Securities shall be purchased in public offerings, primary/ reissues/ Open Market Operations (OMO) auctions / OMO sales, private placement, right offers, negotiated deals or any other mode of investment made available in the market from time to time.

The regulation and limits as applicable under the SEBI (Mutual Funds) Regulations, 1996 are specified under the Para of Investment Restrictions.

#### **Depository**

The Securities of the scheme(s) will be held in demat (electronic) mode and accordingly the rules of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 would apply. The service charges payable to the Depository Participant will form a part of the annual recurring expenses.

#### **E. WHAT ARE THE INVESTMENT STRATEGIES?**

##### **Principal Index Fund**

Units of the scheme have been designed with the intention of tracking the movement of securities (from time to time) included in the S&P CNX Nifty Index. The Scheme plans to do this by investing the entire corpus in the stocks that comprise the S&P CNX Nifty Index in similar weights to the weightage given by S&P CNX Nifty Index so that the portfolio would appreciate or depreciate (subject to tracking errors) in more or less the same manner as the S&P CNX Nifty Index.

Subject to the requirements of cash flows to meet the recurring expenses and to service investors who decide to exit from the Scheme or for distribution of income, if any, to investors, it is proposed that the corpus of the scheme will be invested in the S&P CNX Nifty Index securities. It is also proposed that disinvestment will take place only when investors exit from the Scheme or when any security ceases to be included in the S&P CNX Nifty Index or to meet the cash flow requirements.

The S&P CNX Nifty Index is designed to reflect the perceptions of the investors about the Indian economy. This is sought to be achieved by IISL by including companies representing a cross-section of the various sectors of the Indian economy. By endeavoring to track the S&P CNX Nifty Index to the extent possible under the prevailing circumstances and environment objectives and the features of the Scheme, the Fund expects to generate returns in the Scheme approximating the performance of the S&P CNX Nifty Index.

The S&P CNX Nifty Index is at present being managed by IISL. IISL is a joint venture company promoted by the National Stock Exchange of India Ltd. (“NSE”) and the Credit Rating and Information Services of India Ltd. (“CRISIL”) for constructing, maintaining and disseminating data regarding various indices

As on April 30, 2012 the scrips constituting S&P CNX Nifty and their weightages are as follows:

Sr. No.	Name of Stock	Weightage	Sr. No.	Name of Stock	Weightage
1	ITC Limited	8.09	26	Maruti Suzuki India Ltd.	1.11
2	Reliance Industries Ltd.	7.68	27	Bharat Heavy Electricals Ltd.	1.08
3	Infosys Limited	7.25	28	TATA Power Company Ltd.	1.04
4	ICICI Bank Ltd.	6.21	29	Grasim Industries Ltd.	0.99
5	Housing Development Finance Corporation Ltd.	6.08	30	Asian Paints Limited	0.98
6	HDFC Bank Ltd.	5.97	31	Cipla Ltd.	0.97
7	Larsen & Toubro Ltd	4.03	32	Power Grid Corporation of India Ltd.	0.96
8	TATA Consultancy Services Ltd.	3.86	33	Hindalco Industries Ltd.	0.95
9	Tata Motors Ltd.	3.38	34	GAIL (India) Ltd.	0.91
10	State Bank of India	3.37	35	Sterlite Industries (India) Ltd.	0.91
11	Oil & Natural Gas Corporation Ltd.	2.92	36	Infrastructure Development Finance Co. Ltd.	0.90
12	Hindustan Unilever Ltd.	2.62	37	Bank of Baroda	0.88
13	Bharti Airtel Ltd.	2.27	38	HCL Technologies Ltd.	0.78
14	Mahindra & Mahindra Ltd.	1.99	39	Cairn India Ltd.	0.77
15	Tata Steel Ltd.	1.90	40	ACC Ltd.	0.70
16	Axis Bank Ltd.	1.74	41	Ambuja Cements Ltd.	0.69
17	Sun Pharmaceutical Industries Ltd.	1.38	42	Punjab National Bank	0.69
18	Coal India Limited	1.36	43	Bharat Petroleum Corporation Ltd.	0.53
19	Dr. Reddy's Laboratories Ltd.	1.36	44	Jaiprakash Associates Ltd.	0.52
20	Bajaj Auto Ltd.	1.33	45	Ranbaxy Laboratories Ltd.	0.47
21	Kotak Mahindra Bank Ltd.	1.32	46	Sesa Goa Ltd.	0.45
22	Hero Motocorp Ltd.	1.31	47	Reliance Infrastructure Ltd.	0.44
23	NTPC Ltd.	1.27	48	DLF Ltd.	0.42
24	Wipro Ltd.	1.26	49	Siemens Ltd.	0.40
25	Jindal Steel & Power Ltd.	1.19	50	Steel Authority of India Ltd.	0.34

### **Principal Growth Fund**

The scheme will invest its assets in a portfolio of equity and equity related instruments. The focus of the investment strategy would be to identify stocks which can provide capital appreciation in the long term. Companies selected for the portfolio which in the opinion of the AMC would possess some of the characteristics mentioned below:

- Superior management quality
- Distinct and sustainable competitive advantage
- Good growth prospects and
- Strong financial strength

The aim will be to build a diversified portfolio across major industries and economic sectors by using

“Fundamental Analysis” approach as its selection process.

The three basic steps of Fundamental Analysis are:

- 1) **Research** – consideration of economic prospects over the next one to two years rather than focusing on near term expectations. This approach is designed to provide insight into a company’s real growth potential.
- 2) **Valuation** – use of the research to allow the Investment Manager to identify segments of the market for investment. The Investment Manager would consider various factors including sustainable, superior earnings growth and above average or accelerating rates of growth.
- 3) **Securities selection** – The Investment Manager would buy and sell securities using its research and valuation as the basis. It attempts to identify the individual issuers that it considers to have high growth potential, that are market share leaders and/ or have high quality management with consistent track records and solid balance sheets.

Short-term surpluses/funds under the scheme pending deployment in terms of investment objective of the scheme can be deployed in the inter-bank call/notice money market/deposits and repurchase obligations (repos), as per the relevant provisions of the Regulations. In longer-term assets, sovereign bonds (government securities and treasury bills) which are the most liquid instruments dominate the market. Banks, Institutions, Primary Dealers and Mutual Funds are the dominant participants in this market. Other instruments available for investment are commercial papers, certificates of deposit, promissory notes, non-convertible debentures/floating rates bonds, securitised instruments, etc. Most of these instruments are listed on NSE by the issuers. Various factors such as interest rate movement, fluctuation in the bond markets, political instability, changes in the economic environment, changes in the rating, changes in the tax laws and/or Regulations and/or RBI policies, changes in the liquidity conditions in the money market etc. affect the prices of debt instruments.

#### **Principal Dividend Yield Fund**

The scheme would invest predominantly (at least 65% of the net assets) in companies that have a relatively high dividend yield (i.e. last declared dividend divided by the current market price), at the time of making the investment. The Fund is defining dividend yield as “high” if it is in excess of 1.5 times that of the prevailing dividend yield of the NSE Nifty.

The dividend yield of NSE Nifty as on May 17, 2012 is 1.64%.

While the criterion of high dividend-yields would be used to identify the investment universe from which the portfolio will be constructed, within this universe, there will be a strong focus on selecting companies with a consistent dividend track-record, strong business fundamentals, good quality of management, strong cash generation in excess of their capital expenditure requirements, strong balance sheets and attractive valuations. The overall portfolio structuring would aim at controlling risk at a moderate level.

#### **Principal Large Cap Fund**

Currently, more than 80% of market capitalization of the equity market is in large capitalization stocks and pursuant to the objectives of the scheme, the scheme would invest at least 65% of its assets in companies having a market capitalization greater than ₹750 crore as on the date of investment (or any such amount as may be specified by India Index Services and Products Ltd (IISL) from time to time) being the upper limit of market capitalization as a criteria for inclusion of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of ‘Large Cap companies’, the same will be utilized. The scheme may also invest upto 35% of its net assets in companies having a market capitalization less than ₹750 crores.

#### **Principal Services Industries Fund**

The scheme will inter-alia invests in companies, which are engaged in the following Service industries:

BANKS  
COURIER  
FINANCE

GAS  
HEALTHCARE SERVICES  
HOTELS  
INDUSTRIAL SERVICES  
MEDIA & ENTERTAINMENT  
POWER  
RETAILING  
SOFTWARE  
TELECOM-SERVICES  
TRADING  
TRANSPORTATION  
TRAVEL

Please note that the list is only indicative and not exhaustive and this could undergo changes based on future reforms and developments. The Investment Manager may add such other sector/group of industries which broadly satisfy the category of services industries based on AMFI classification.

**Scenarios/Conditions when the Scheme would invest in foreign equity and equity related instruments:**

Since the Scheme is oriented towards investment in stocks belonging to the services industries, the Scheme may invest in foreign equity and equity related securities of the companies belonging to services industries.

The Scheme would, subject to regulatory compliance, invest in equity of overseas companies listed on a recognized stock exchange and such other instruments as may be permitted by SEBI from time to time. The Scheme will invest in foreign equity and equity related instruments where they are attractive in view of the fund manager and which is in accordance with the investment objectives of the scheme. The investment in foreign equity and equity related instruments will be subject to the regulation as laid down by SEBI/ RBI in this regard from time to time.

The Scheme shall not make investments in foreign debt instruments including foreign securitized debt.

**Principal Emerging Bluechip Fund**

The investment strategy of the Scheme will be based on market cap of the stocks. The fund will predominantly invest in midcap stocks. This midcap range will be so determined taking into account the midcap range of the benchmark index at the end of every calendar quarter. Such midcap range once determined at quarter end will apply to all investment decisions made during the following quarter. The fund will also invest in small cap stocks to tap high growth opportunities offered by such stocks. For the purpose of maintaining liquidity or tap market opportunities; the fund may also invest in large cap stocks i.e. stocks other than mid or small cap stocks. Stocks selection will be primarily on bottom up approach on stock-by-stock basis. As part of its objective of maximizing investor's wealth creation potential over the longer duration, the fund may also invest in equity and equity related instruments of unlisted companies in line with SEBI regulations. A part of the portfolio will also tap arbitrage opportunities in the domestic markets like equity & equity related instruments, convertible preference shares, and convertible debentures. The Scheme intends to invest in derivatives not exceeding 50% of the net assets of the Schemes, subject to the limits as specified from time to time for hedging and rebalancing purposes or to undertake any other strategy as permitted under SEBI Regulations from time to time.

**Principal Retail Equity Savings Fund**

The investment would be primarily in equity and equity related instruments besides debt securities. In selecting equities the Investment manager looks for companies that have predictable earnings and which based on growth prospects, it believes are undervalued in the market place. The investment Manager would buy securities with the objective of long-term capital appreciation. Equity securities in which investment would be made shall normally generate dividend income. From time to time, the AMC shall purchase securities with the expectation of price

appreciation over the short term. In response to changes in economic conditions, the Investment Manager may change the make-up of the portfolio and emphasize different market sectors by buying and selling the portfolio's securities.

The Scheme shall generate interest income by investing in debt securities. Debt securities are also purchased for capital appreciation purposes when the Investment Manager thinks that declining interest rates may increase market value. Deep Discount debt securities may also be purchased to generate capital appreciation/income. The Scheme may also invest, at the discretion of the Investment Manager, in the units of Liquid /Money Market and Debt Mutual Fund Scheme(s), in order to meet liquidity requirements from time to time.

The portfolio may also invest in foreign securities/ investments in the manner and to the extent permitted by the SEBI/ Regulations. A part of the portfolio will also tap arbitrage opportunities in the domestic markets like equity & equity related instruments, convertible preference shares, and convertible debentures.

### **Principal Smart Equity Fund**

The Scheme will decide on allocation of funds into equity assets based on equity market Price Earning (PE) Ratio (PE Ratio) levels. The PE Ratio has traditionally been used as a tool to assess whether the equity markets are cheap or expensively priced. When the markets become expensive in terms of 'Price to Earnings' Ratio; the Scheme will reduce its allocation to equities and move assets into debt and/or money market instruments and vice versa. Such a strategy is expected to optimise the risk-return proposition for the long term investor.

Under normal circumstances; the Scheme's asset allocation will be based on S&P CNX Nifty PE Bands as shown in the table below:

<b>Weighted Average PE Ratio of S&amp;P CNX Nifty</b>	<b>Equity Component (%)</b>	<b>Debt Component (%)</b>
Upto 16	100	0
Above 16 – Upto 18	80 - 100	0 - 20
Above 18 – Upto 20	60 - 80	20 - 40
Above 20 – Upto 24	30 - 50	50 - 70
Above 24 – Upto 26	10 - 20	80 - 90
Above 26 – Upto 28	0 - 10	90 - 100
Above 28	0	100

For this purpose the month end PE Ratio of S&P CNX Nifty Index (NSE Nifty) will be considered.

Such a PE Ratio will be the month end weighted average PE Ratio of the constituent stocks making up the S&P CNX Nifty Index. The Price considered will be the closing market price on the NSE as at the month end. The undiluted earnings per share will reflect the trailing earnings of the most recent four quarters of each of the companies, for which information is available.

This PE ratio will be rounded off to the nearest decimal. Thus every month end we would observe the above mentioned PE ratio and the resultant PE band. The investment strategy outlines different PE bands and the asset allocation applicable to each band. If there is a change in the PE band as observed on the latest month-end as compared to last month-end(due to Nifty's PE moving out of one band to another) then it will require rebalancing of portfolio to bring the equity component in line with the new band. This rebalancing would be done latest before the end of the subsequent month.

The Trustee reserves the right; to change the above said PE Ratio bands or to apply any other criteria for determining the allocation of funds to equity instruments, if the NSE Nifty Index is either suspended or becomes irrelevant for any reasons whatsoever.

### **Trading in Derivatives**



The Scheme(s) may take derivatives position based on the opportunities available subject to the guidelines provided by SEBI from time to time and in line with the overall investment objective of the Scheme(s). SEBI has vide its Circulars inter alia, DNPd/Cir-29/2005 dated September 14, 2005 and DNPd/Cir-30/2006 dated January 20, 2006 and CIR/IMD/DF/11/2010 dated August 18, 2010, specified the guidelines pertaining to trading by Mutual Fund in Exchange traded derivatives and SEBI Circular DNPd/Cir-31/2006 dated September 22, 2006 modifying the position limits for Index derivative contracts.

A derivative is an instrument whose value is derived from the value of one or more of the underlying assets which can be commodities, precious metals, bonds, currency, etc. Common examples of Derivative instruments are Interest Rate Swaps, Forward Rate Agreements, Futures, Options, etc.

In case of equity derivatives, the Scheme(s) may transact in exchange traded equity derivatives only and these instruments may take the form of Index Futures, Index Options, Futures and Options on individual equities/securities and such other derivative instruments as may be appropriate and permitted under the SEBI Regulations and guidelines from time to time.

Derivative positions taken would be guided by the following principles:

### **Exposure to Equity Derivatives**

The net derivatives position in the Scheme(s) may be up to the limit as set forth in the asset allocation pattern of the Scheme(s), subject to the following regulatory limits:

**i. Position limit for the Mutual Fund in index options contracts:**

- a.** The Mutual Fund position limit in all index options contracts on a particular underlying index shall be ₹500 crore or 15% of the total open interest in the market in index options, whichever is higher, per Stock Exchange.
- b.** This limit would be applicable on open positions in all options contracts on a particular underlying index.

**ii. Position limit for the Mutual Fund in index futures contracts:**

- a.** The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be ₹500 crore or 15% of the total open interest in the market in index futures, whichever is higher, per Stock Exchange.
- b.** This limit would be applicable on open positions in all futures contracts on a particular underlying index.

**iii. Additional position limit for hedging:**

In addition to the position limits at point (i) and (ii) above, Fund may take exposure in equity index derivatives subject to the following limits:

- a.** Short positions in index derivatives (short futures and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
- b.** Long positions in index derivatives (long futures and long calls) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

**iv. Position limit for the Mutual Fund for stock based derivative contracts:**

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts:

- a.** For stocks having applicable market-wise position limit (MWPL) of Rs. ₹500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or ₹300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or ₹150 crores, whichever is lower.
- b.** For stocks having applicable market-wise position limit (MWPL) less than Rs. ₹500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or ₹50 crore whichever is lower.

**v. Position limit for the Scheme:**

The position limits for the Scheme and disclosure requirements are as follows:

- a.** For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a Fund shall not exceed the higher of :1% of free float market capitalization (in terms of number of shares).

Or

5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).

**b.** This position limit shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.

**c.** For index based contracts, the Mutual Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

As and when SEBI notifies amended limits in position limits for exchange traded derivative contracts in future, the aforesaid position limits, to the extent relevant, shall be read as if they were substituted with the SEBI amended limits.

The Scheme(s) may purchase call and put options in securities in which it invests and on securities indices. Through the sale and purchase of futures contracts the Fund would seek to hedge against a decline in securities owned by the Fund or an increase in the prices of securities which the Fund plans to purchase. The Fund would sell futures contracts on securities indices in anticipation of a fall in stock prices, to offset a decline in the value of its equity portfolio. When this type of hedging is successful, the futures contract increase in value while the Fund's investment portfolio declines in value and thereby keep the Fund's net asset value from declining as much as it otherwise would. Similarly, when the Fund is not fully invested, and an increase in the price of equities is expected, the Fund would purchase futures contracts to gain rapid market exposure that may partially or entirely offset increase in the cost of the equity securities it intends to purchase. In certain cases the Fund might invest in futures contracts as against underlying cash stocks for reasons of liquidity and lower impact costs.

### **Stock and Index Futures**

Hedging against an anticipated rise in equity prices:-

The scheme has a corpus of ₹100 crores and has cash of ₹15 crores available to invest. The Fund may buy index/stock futures of a value of ₹15 crores. The scheme may reduce the exposure to the future contract by taking an offsetting position as investments are made in the equities; the scheme wants to invest in. Here, if the market rises, the scheme gains by having invested in the index futures.

Hedging against anticipated fall in equity prices:-

If the Fund has a negative view on the market and would not like to sell stocks as the market might be weak, the scheme of the Fund can go short on index/stock futures. Later, the scheme can unwind the future positions. A short position in the future would offset the long position in the underlying stocks and this can curtail potential loss in the portfolio. The Fund's successful use of futures contracts is subject to the Fund Manager's ability to predict correctly the market factor affecting the market value of the Fund's portfolio securities. For example if a Fund is hedged against a fall in the securities using a short position in index futures, and the market instead rises, the Fund loses part or all of the benefit of the increase in securities prices on account of the offset losses in index futures. Imperfect co-relation between the price movements in the securities index on the one hand and the stocks held by the Fund or the futures contracts itself on the other hand may result in trading losses. The Fund may not be able to close an open futures position due to insufficient liquidity in the futures market. Under such circumstances, the Fund would be required to make daily cash payments of variation margin in the event of adverse price movements. If the Fund has insufficient cash, the Fund may be required to sell portfolio securities to meet daily variation margin requirement at a time when it may be disadvantageous to do so.

A hedge is designed to offset a loss on a portfolio with a gain in the hedge position. At the same time, however, a properly correlated hedge will result in a gain in the portfolio position being offset by a loss in the hedge position. As a result the use of derivatives could limit any potential gain from an increase in value of the position hedged. In addition, an exposure to derivatives in excess of the hedging requirement can lead to losses.

### **Stock and Index Options:**

Option contracts are of two types - Call and Put; the former being the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date and the latter being the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date. The price at which the shares are contracted to be purchased or sold is called the strike price. Options that can be exercised on or before the expiration date are called American Options, while those that can be exercised only on the expiration date are called European Options. In India, all individual stock options are American Options, whereas all

index options are European Options. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

#### **Example for Options:**

**Buying a Call Option:** Let us assume that the Fund buys a call option of XYZ Ltd. with strike price of ₹1000/-, at a premium of ₹25/-. If the market price of ABC Ltd on the expiration date is more than ₹1000/-, the option will be exercised. The Fund will earn profits once the share price crosses ₹1025/- (Strike Price + Premium i.e. 1000+25). Suppose the price of the stock is ₹1100/-, the option will be exercised and the Fund will buy 1 share of XYZ Ltd. from the seller of the option at ₹1000/- and sell it in the market at ₹1100/-, making a profit of ₹75/-. In another scenario, if on the expiration date the stock price falls below ₹1000/-, say it touches ₹900/-, the Fund will choose not to exercise the option. In this case the Fund loses the premium (₹25), which will be the profit earned by the seller of the call option.

**Buying a Put Option:** Let us assume the Fund owns the shares of XYZ Ltd, which is trading at ₹500/-. The fund wishes to hedge this position in the short-term as it perceives some downside to the stock in the short-term. It can buy a Put Option at ₹500 by paying a premium of say ₹10/- In case the stock goes down to ₹450/- the fund has protected its downside to only the premium i.e ₹10/- instead of ₹50/-. On the contrary if the stock moves up to say ₹550/- the fund may let the Option expire and forego the premium thereby capturing ₹40/- upside. The strategy is useful for downside protection at cost of foregoing some upside.

For an option buyer, loss is limited to the premium that he has paid and gains are unlimited. .

The above example is hypothetical in nature and all figures are assumed for the purpose of illustrating the use of call options in individual stocks. Similar analogy can be used for Index Options too when the fund wishes to hedge a part of the total portfolio or cash.

**The following section describes some of the more common debt derivatives transactions along with their benefits:**

#### **Interest Rate Futures (IRF)**

An interest rate futures contract is "an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today." Interest rate futures are derivative contracts which have a notional interest bearing security as the underlying instrument. The buyer of an interest rate futures contract agrees to take delivery of the underlying debt instruments when the contract expires and the seller of interest rate futures agrees to deliver the debt instrument.

The fund can effectively use interest rate futures to hedge from increase in interest rates

#### **Interest Rate Swap (IRS)**

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while other receives a floating (variable) rate of interest.

#### **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

#### **Example**

Let us assume that a scheme has an investment of ₹10 crore in an instrument which pays interest linked to NSE Mibor. Since the NSE Mibor would vary daily, the scheme is running an interest rate risk on its investment and would stand to lose if rates go down. To hedge itself against this risk, the scheme could do an IRS where it receives a fixed rate (assume 10%) for the next 5 days on the notional amount of ₹10 crore and pay a floating rate (NSE Mibor). In doing this, the scheme would effectively lock itself into a fixed rate of 10% for the next five days. The steps would be.

1. The scheme enters into an IRS on ₹10 crore from March 1, 2012 to March 6, 2012. It receives a fixed rate of interest at 10% and the counter party receives the floating rate (NSE Mibor). The Scheme and the counter party exchange a contract of having entered into this IRS.

2. On a daily basis, the NSE Mibor will be tracked by the counterparties to determine the floating rate payable by the scheme.

3. On March 6, 2012, the counterparty will calculate the following;

- The scheme will receive interest on ₹10 crore at 10% p.a. for 5 days i.e. ₹1,36,986/-
- The scheme will pay the compounded NSE Mibor for 5 days
- Effectively, the scheme has earned interest at 10% p.a. for 5 days by converting its floating rate asset into a fixed rate through the IRS.

If the total interest on the compounded NSE Mibor rate is lower than ₹1,36,986/-, the scheme will receive the difference from the counterparty and vice-versa. In case the interest on compounded NSE Mibor is higher, the scheme would make a lower return than what it would have made had it not undertaken IRS.

Further, SEBI vide its circular no. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010, has prescribed the following restrictions in respect of investment in derivatives:

- 1) The cumulative gross exposure through equity, debt and derivative positions shall not exceed 100% of the net assets of the Scheme.
- 2) The Scheme shall not write options or purchase instruments with embedded written options.
- 3) The total exposure related to option premium paid must not exceed 20% of the net assets of the Scheme.
- 4) Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
- 5) Exposure due to hedging positions may not be included in the above mentioned limits, subject the following:
  - (a) Hedging positions are the derivative positions that reduce possible losses on existing positions in securities and till the existing position remains.
  - (b) Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.
  - (c) Any derivative instrument used to hedge has the same underlying security as the existing positions being hedged.
  - (d) The quantity of underlying associated with the derivative positions taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
- 6) The Scheme may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
- 7) Exposure due to derivative positions taken for hedging purposes in excess of the underlying positions against which the hedging position has been taken, shall be treated under the limits mentioned in Point 1.
- 8) Position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall may be computed as follows: -

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option premium Paid * Lot Size* Number of Contracts

### Portfolio Turnover Rate

The Portfolio Turnover Rate (PTR) means the lower of aggregate sales or purchases made during a particular year/period divided by the Average Asset under Management (average of Assets under Management on last day of month) for the relevant year/period.

"Portfolio Turnover" is the term used by any Mutual Fund for measuring the amount of trading that occurs in a Scheme's portfolio during the year. The Scheme(s) are open-ended scheme(s). It is expected that there may be a number of subscriptions and repurchases on a daily basis. Moreover, portfolio turnover in the Schemes will be a function of market opportunities. The economic environment changes on a continuous basis and exposes portfolio to systematic as well as non-systematic risk. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. However, a high turnover would significantly affect the brokerage and transaction costs. This will exclude the turnover caused on account of:

- Investing the initial subscription,
- Subscriptions and redemption undertaken by the unit holders.

The AMC will endeavor to balance the increased cost on account of higher portfolio turnover with the benefits derived therefrom. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be representative of arbitrage opportunities that exist for scrips/securities held in the portfolio rather than an indication of a change in AMC's view on a scrip, etc.

## F FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the Scheme(s), in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

### (i) Type of a scheme

- Open ended Equity/Index Scheme(s)
- For details on which schemes are equity/index schemes, please refer the Section on 'Type of the Schemes'

### (ii) Investment Objective

- Main Objective - Please refer **Investment Objective** of respective Scheme(s) as mentioned above.
- Investment pattern – Please refer the Section on 'How will the Scheme(s) allocate its assets'.

### (iii) Terms of Issue

- Liquidity provisions such as listing, repurchase, redemption – Please refer the Section on 'Ongoing offer Details'
- Aggregate fees and expenses charged to the scheme : Please refer the Section on 'Fees and Expenses'
- Any safety net or guarantee provided : **Not applicable**

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unit holders is carried out unless:

- A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unit holders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

## G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?

The Benchmark for respective Schemes of Principal Mutual Fund are as follows:

NAME OF THE SCHEME(s)	BENCH MARK (s)
Principal Index Fund	S&P CNX Nifty Index
Principal Growth Fund	BSE 200 Index
Principal Dividend Yield Fund	S&P CNX 500 Index
Principal Large Cap Fund	BSE 100 Index
Principal Services Industries Fund	CNX Services Sector Index
Principal Emerging Bluechip Fund	CNX Midcap Index
Principal Retail Equity Savings Fund	BSE 100 Index
Principal Smart Equity Fund	Crisil Balanced Fund Index

The compositions of the aforesaid benchmarks are such that it is most suited for comparing performance of the respective Scheme. The Fund reserves the right to change the said benchmarks and/or adopt one/more other benchmarks to compare the performance of the Scheme(s), subject to SEBI Regulations.

#### H. WHO MANAGES THE SCHEME(S)?

Name of the Fund Manager	Designation:	Age & Qualification	Brief Experience	Name of Schemes under his management
Mr. Rajat Jain	Chief Investment Officer	48 years / M.B.A (Finance)	Mr. Rajat Jain is the Chief Investment Manager of Principal Pnb Asset Management Co. Pvt. Ltd. In this role, he oversees investments of the Principal Mutual Fund, and is responsible for overall portfolio strategy. He has over 22 years of experience in portfolio management; of which the last 12 years have been with the Principal. Prior to joining Principal Pnb AMC, he was with SBI Mutual Fund.	(i) Principal Index Fund (ii) Principal Retail Equity Savings Fund (iii) Principal Global Opportunities Fund (iv) Principal Services Industries Fund* (v) Principal Debt Savings Fund* (Jointly with Mr. Pankaj Jain )  *Asst. Fund Manager – Mr. Anupam Tiwari
Mr.P.V.K. Mohan	Head-Equity	46 Years B.Tech /PGDM	Has over 18 years of experience in Indian Equity markets. In his previous assignments he worked with ICICI Prudential Asset Mgmt. Company Limited, DSP BlackRock Investment Managers Private Limited and IL&FS Mutual Fund.	a) Principal Growth Fund b) Principal Tax Savings fund c) Principal Balanced Fund (jointly with Mr. Pankaj Jain )
Mr. Dhimant Shah	Sr. Fund Manager – Equity	44 Years B Com/ACA	Mr. Shah has more than 18 year's of experience in stock market. Prior to joining Principal Mutual Fund, Mr. Shah was working as a Fund Manager in HSBC Asset Management (India) Private Ltd. He has also worked with Reliance Capital Asset Management Ltd. (PMS), ASK Raymond James Securities Pvt. Limited & IL&FS Asset Management Co. Pvt. Ltd (now known as	a) Principal Emerging Bluechip Fund b) Principal Dividend Yield Fund

			UTI Asset Management Company Ltd).	
Mr. Anupam Tiwari	Fund Manager	34 years / Chartered Accountant	Mr. Tiwari has more than 7 years of experience in Equity Markets as Research Analyst and Fund Manager. Prior to joining Principal Mutual Fund, he has worked with Reliance Mutual Fund and Reliance Life Insurance Ltd.	(a) Principal Large Cap Fund (b) Principal Smart Equity Fund (c) Principal Personal Tax Saver Fund (d) Principal Services Industries Fund* (e) Principal Debt Savings Fund* [*Asst. Fund Manager]
Mr. Pankaj Jain	Sr. Fund Manager – Fixed Income	32 years / PGDM	Mr. Jain has more than 7 years of experience in fixed income market. Prior to joining Principal Mutual Fund, he was associated with Taurus Mutual Fund as Fund Manager - Fixed Income for more than 2 years managing debt schemes including Liquid, Short Term, Dynamic and other schemes. Prior to the same, he was also associated with Edelweiss Mutual Fund as Fund Manager. He has also worked with Edelweiss Capital handling the forex and debt portfolios and has also been associated with State Bank of India (Treasury) and Thermax Ltd.	(a) Principal Cash Management Fund (b) Principal Government Securities Fund (c) Principal Income Fund – Long Term Plan (d) Principal Retail Money Manager Fund (e) Principal Balanced Fund [Jointly with Mr. P.V.K. Mohan] (f) Principal Debt Savings Fund - MIP [Jointly with Mr. Rajat Jain] <sup>#</sup> (g) Principal Debt Savings Fund – Retail Plan [Jointly with Mr. Rajat Jain] <sup>#</sup> (h) Principal Income Fund – Short Term Plan <sup>^</sup> (i) Principal Bank CD Fund <sup>^</sup> (j) Principal Near Term Fund - Conservative Plan <sup>^</sup> (k) Principal Near Term Fund – Corporate Bond Plan (l) Principal Pnb Fixed Maturity Plan – Series A4 # - Asst. Fund Manager – Mr. Anupam Tiwari  <sup>^</sup> - Mr. Gurvinder Singh Wasan
Mr. Gurvinder Singh Wasan	Asst. Fund Manager	31 years / MCom, ACA, CFA from CFA Institute, USA (Charter Awaited)	Mr. Wasan has more than 8 years of experience Fixed Income Markets, Credit Analysis and Structured Finance. Prior to joining Principal Mutual Fund, he has worked with Crisil Ltd. and ICICI Bank Ltd.	a) Principal Income Fund – Short Term Plan b) Principal Bank CD Fund c) Principal Near Term Fund – Conservative Plan d) Principal Near Term Fund – Corporate Bond Plan

## **I. WHAT ARE THE INVESTMENT RESTRICTIONS?**

Following Investment limitations/restrictions are specific to these Schemes:-

- The Fund under all its Schemes should not own more than 10% of any company's paid up capital carrying voting rights.
- Transfers of investments from one scheme to another scheme of Principal Mutual Fund shall be allowed only if:
  - (a) Such transfers are done at the prevailing market price for quoted instruments on spot basis.  
[Explanation - "Spot basis" shall have same meaning as specified by stock exchange for spot transactions.]
  - (b) The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- A scheme may invest in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that aggregate interscheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the mutual fund.
- The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities. Provided that the Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI. Provided further that the Scheme may also enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by the Board. Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.
- The Mutual Fund shall get the securities purchased or transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.
- Pending deployment of Funds of the scheme in terms of investment objective, Mutual Fund may invest them in short term deposits of scheduled commercial banks, subject to the following:
  - The scheme shall not park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
  - The scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
  - No funds of the scheme may be parked in short term deposit of a bank which has invested in that scheme.
  - Short Term for such parking of fund by Mutual Fund shall be treated as a period not exceeding 91 days.
- The scheme(s) shall not make any investment in:
  - any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the sponsor; or
  - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets
- The Scheme(s) shall not invest in any Fund of Funds Scheme
- The Scheme(s) shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any Company.
- The Scheme(s) shall not invest more than 5% of its net assets in the unlisted equity shares or equity related instruments.
- Aggregate value of "Illiquid Securities" of the Scheme, which are defined as non-traded, thinly traded and unlisted equity share, shall not exceed 15% of the total assets of the Scheme.



- Investment in foreign Securities:-

- In accordance with RBI Circular A.P. (DIR) Series Circular No. 3 dated July 26, 2006 read with SEBI Circular SEBI/IMD/CIR No.7/104753/07 dated September 26, 2007, the Fund is permitted to invest only up to US\$ 300 million in identified overseas securities. Such limit and/or identified securities may be revised at the discretion of the Fund in alignment with the provision that may be prescribed in this regard by SEBI/RBI from time to time.

Where the Scheme(s) may invest a part of its corpus in debt oriented and money market securities/instruments/funds, to manage its liquidity requirements, the investment restrictions specific to debt securities have been provided here below:-

- The scheme(s) shall not invest more than 15% of its NAV in debt instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities.

Provided further that the debentures irrespective of any residual maturity period (above or below one year), shall attract restriction as applicable under clause 1 and 1A of Seventh Schedule to the SEBI (Mutual Funds) Regulations, 1996.

Provided further that the restrictions for investments made in securitised debt (mortgage backed securities/asset backed securities) would be applicable as mentioned in Seventh Schedule and per the clarification made by SEBI vide circular no. SEBI/IMD/CIR No.6/63715/06, dated March 29, 2006.

- The scheme(s) shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the AMC.
- No mutual fund scheme shall invest more than 30% of its net assets in money market instruments of an issuer.

Provided that such limit shall not be applicable for investments in Government Securities, Treasury Bills and Collateralized borrowing and Lending Obligations.

These investment limitations/parameters (as expressed/linked to the net asset/NAV/capital) shall in the ordinary course apply as of the date of the most recent transaction or commitment to invest, and changes do not have to be effected merely because, owing to appreciation or depreciation in value, or by reason of the receipt of any rights, bonuses or benefits in the nature of capital, or of any scheme of arrangement, or for amalgamation, reconstruction or exchange, or at any repayment or repurchase or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, the AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unit holders.

In addition, certain investment parameters (like limits on exposure to sectors, industries, issuers, etc.) may be adopted internally by the AMC, as amended from time to time, to ensure appropriate diversification/security for the Fund. The AMC may alter these above stated limitations from time to time, and also to the extent the SEBI Regulations change, so as to permit the Fund to make its investments in the full spectrum of permitted investments for Mutual Funds to achieve its investment objective. As such all investments of the Fund will be made in accordance with SEBI Regulations including Schedule VII thereof.

## J. HOW HAVE THE SCHEME(S) PERFORMED?

### Principal Index Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	S&P CNX Nifty (%)	Absolute Returns for last 5 financial years
Last 1 Year	(8.29)	(8.67)	<p><b>Year-wise Absolute Returns</b></p>
Last 3 Years	14.38	14.71	
Last 5 Years	4.21	5.21	
Since Inception*	10.52	11.48	

Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

\*July 27, 1999

### Principal Growth Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	BSE 200 (%)	Absolute Returns for last 5 financial years
Last 1 Year	(6.82)	(9.55)	<p><b>Year-wise Absolute Returns</b></p>
Last 3 Years	13.97	16.81	
Last 5 Years	(0.59)	5.10	
Since Inception*	14.58	15.46	

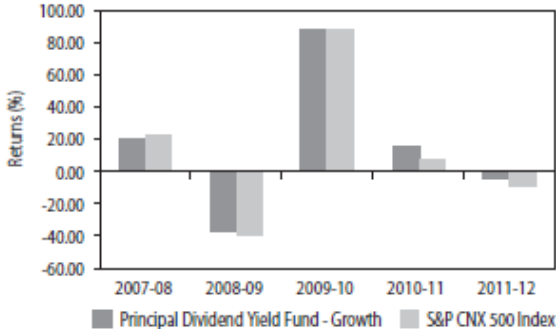
Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

\*October 25, 2000.

### Principal Dividend Yield Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	S&P CNX 500 Index (%)	<div><b>Absolute Returns for last 5 financial years</b></div> <div><b>Year-wise Absolute Returns</b></div> 
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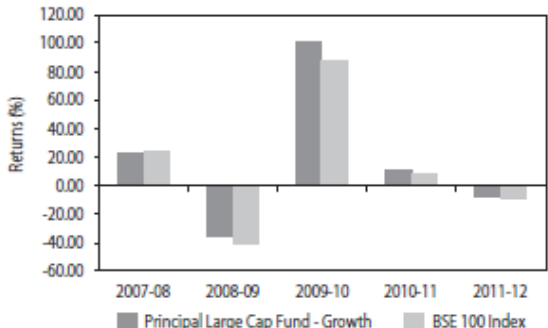
Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

\*October 15, 2004.

### Principal Large Cap Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	BSE 100 (%)	<div><b>Absolute Returns for last 5 financial years</b></div> <div><b>Year-wise Absolute Returns</b></div> 
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Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

\*November 11, 2005

## Principal Services Industries Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	CNX Services Sector Index (%)	Absolute Returns for last 5 financial years																		
Last 1 Year	(14.95)	(10.32)	<p>Year-wise Absolute Returns</p> <table><caption>Year-wise Absolute Returns Data (Estimated)</caption><thead><tr><th>Financial Year</th><th>Principal Services Industries Fund - Growth (%)</th><th>CNX Service Sector Index (%)</th></tr></thead><tbody><tr><td>2007-08</td><td>15.00</td><td>10.00</td></tr><tr><td>2008-09</td><td>(40.00)</td><td>(30.00)</td></tr><tr><td>2009-10</td><td>80.00</td><td>75.00</td></tr><tr><td>2010-11</td><td>10.00</td><td>15.00</td></tr><tr><td>2011-12</td><td>(15.00)</td><td>(10.00)</td></tr></tbody></table>	Financial Year	Principal Services Industries Fund - Growth (%)	CNX Service Sector Index (%)	2007-08	15.00	10.00	2008-09	(40.00)	(30.00)	2009-10	80.00	75.00	2010-11	10.00	15.00	2011-12	(15.00)	(10.00)
Financial Year	Principal Services Industries Fund - Growth (%)	CNX Service Sector Index (%)																			
2007-08	15.00	10.00																			
2008-09	(40.00)	(30.00)																			
2009-10	80.00	75.00																			
2010-11	10.00	15.00																			
2011-12	(15.00)	(10.00)																			
Last 3 Years	11.89	15.27																			
Last 5 Years	1.13	3.64																			
Since Inception*	3.54	7.95																			

Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

\*March 6, 2006.

## Principal Emerging Bluechip Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	CNX Midcap Index (%)
Last 1 Year	(5.56)	(8.85)
Last 3 Years	26.12	24.56
Since Inception*	34.15	22.85

### Absolute Returns for last financial year

Year-wise Absolute Returns

Financial Year	Principal Emerging Bluechip Fund - Growth (%)	CNX Midcap Index (%)
2008-09*	15.00	10.00
2009-10	150.00	120.00
2010-11	5.00	5.00
2011-12	(5.00)	(10.00)

\* Returns are calculated from the date of allotment to 31st March of the Financial Year.

Past performance may or may not be sustained in the future.

**Note:** Returns more than 1 year are calculated on **Compounded annualised basis**.

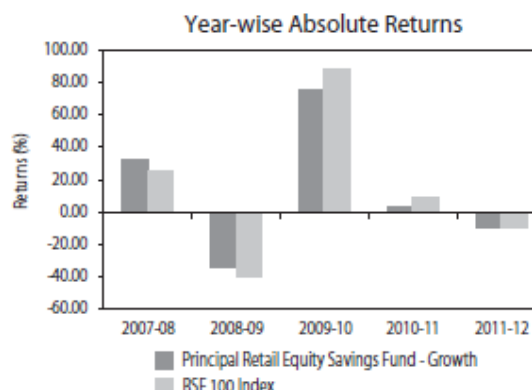
\*November 12, 2008.

### Principal Retail Equity Savings Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	BSE 100 Index (%)
Last 1 Year	(11.18)	(9.04)
Last 3 Years	12.01	16.07
Last 5 Years	5.90	5.24
Since Inception*	15.39	12.86

#### Absolute Returns for last 5 financial years



Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

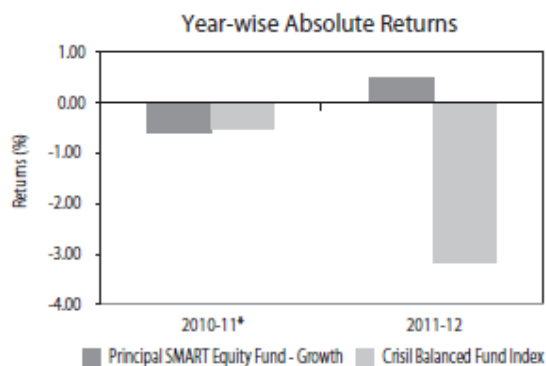
\*January 7, 1998

### Principal Smart Equity Fund

Returns (%) of Growth Option as at April 30, 2012

Period	Returns (%)	CNX Balanced Fund Index (%)
Last 1 Year	(0.10)	(2.64)
Since Inception*	(0.44)	(3.96)

#### Absolute Returns for last 5 financial years



\* Returns are calculated from the date of allotment to 31st March of the Financial Year.

Past performance may or may not be sustained in the future.

**Note:** Returns more than one year are calculated on **compounded annualised basis**.

\*December 16, 2010

### K. INVESTMENT BY AMC?

The AMC and investment companies managed by the Sponsor, its affiliates, its associate companies and subsidiaries may invest either directly or indirectly in the Scheme(s). The money managed by these affiliates, associates, the Sponsor, subsidiaries of the Sponsor and/or the AMC may acquire a substantial portion of a Scheme's units and collectively constitute a major investment a Scheme. Accordingly, repurchase of units held by such affiliates/associates and Sponsor may have an adverse impact on the units of a Scheme, because the timing of such repurchase may impact the ability of other unit holders to repurchase their units. The AMC reserves the right to invest its own funds in the Scheme(s) as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 and SEBI/IMD/CIR No.1/42529/05 dated June 14, 2005 regarding minimum number of investors in the Scheme/ Plan. The AMC shall not charge any fees on investment by the AMC in the units of the Scheme(s) in accordance with Sub Regulation 3

of Regulation 24 of the Regulations and shall charge fees on such amounts in future only if the SEBI Regulations so permit.

#### IV. UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

##### A. NFO DETAILS

This section does not apply to the scheme(s) covered in this Scheme Information Document, as the ongoing offer of the scheme(s) has commenced after the NFO, and the units are available for continuous subscription and redemption.

##### B. Ongoing Offer Details

<p><b>Ongoing Offer Period</b> This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the NFO period</p>	<p>The date of inception for the Scheme(s) are :-</p> <p>Principal Index Fund - July 27, 1999 Principal Growth Fund – October 25, 2000 Principal Dividend Yield Fund - October 15, 2004 Principal Large Cap Fund - November 11, 2005 Principal Services Industries Fund – March 6, 2006 Principal Emerging Bluechip Fund – November 12, 2008 Principal Retail Equity Savings Fund – January 7, 1998 Principal Smart Equity Fund – December 16, 2010</p> <p>All the Schemes being open ended scheme(s), investors can subscribe to the units of the scheme(s) on an ongoing basis.</p> <p>To provide liquidity to the investors, the Scheme(s) will offer for Redemption / Switch-out of Units at NAV based prices on every Business Day on an ongoing basis. .</p>
<p><b>Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors.</b> This is the price you need to pay for purchase/switch-in. <i>Example: If the applicable NAV is ₹ 10, entry load is 2% then sales price will be:</i> <math>\text{₹ } 10 * (1 + 0.02) = \text{₹ } 10.20</math></p>	<p>At applicable NAV</p>
<p><b>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</b> This is the price you will receive for redemptions/switch outs. <i>Example: If the applicable NAV is ₹10 exit load is 2% then redemption price will be:</i> <math>\text{₹ } 10 * (1 - 0.02) = \text{₹ } 9.80</math></p>	<p>At the applicable NAV subject to prevailing exit loads.</p>
<p><b>Plans / Options offered</b></p>	<p>Each Scheme offer two investment options viz. Growth &amp; Dividend Option. Both Dividend and Growth Option will share a common portfolio. Dividend option will have the facility of payout, reinvestment and sweep.</p>

**Dividend Option:**

Under Dividend Option, dividend will be declared subject to availability of distributable surplus and at the discretion of AMC/Trustee. The undistributed portion of the income will remain in the Option and be reflected in the NAV, on an ongoing basis. The Trustee decision with regard to availability and adequacy, rate, timing and frequency of distribution of dividend shall be final.

Further, the Dividend Option will have the facility of Re-investment, Payout and Sweep. Applicants should indicate the Option/Facility for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the Application Form. Applicants can allocate the investment in both the Options subject to a minimum investment amount of the Scheme.

Dividend option will have the facility of Payout, Re-investment and Sweep.

**Dividend Payout Facility**

Under this Facility, the unit holders would receive payout of their dividend in the Option.

**Dividend Re-investment Facility**

Under this Facility, dividend declared will be re-invested in the Scheme/Option itself, at applicable NAV based prices

**Dividend Sweep Facility**

Under this facility, the unit holders may reinvest their dividend in any other open ended scheme of the Fund at the applicable NAV based prices, subject to the minimum investment and eligibility requirements of the scheme in which the dividend is being invested. The appropriate number of units shall be credited to unit holders account at the applicable NAV on the same date when the NAV is ex-dividend.

**Growth Option**

Under this Option, ordinarily no dividend shall be declared. All income earned and profits realized in respect of a Unit issued under the Option will continue to remain invested until repurchased and shall be deemed to have remained invested in the Option itself, which will be reflected in the NAV. However, the Trustees reserve the right to pay out dividends either based on a change in market conditions, tax regulations or any other situation that would make it more beneficial for Unit holders to receive dividends. In the interest of the Scheme and the unit holders the AMC may consider providing returns to the unit holders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme after providing for all necessary recurring and other expenses.

**Default Option**

Investors should indicate the Option for which the subscription is made by indicating the choice in the appropriate box provided for this

	purpose in the application form. In case of valid applications received without indicating any choice of Option, it will be considered as option for Growth option and processed accordingly. In case of valid application received without indicating any choice under Dividend option, it will be considered as option for Dividend Re-investment and processed accordingly.
<b>Allotment</b>	The allotment will be made where applications received are complete in all respects. However, an offer to purchase units is not binding on, and may be rejected by AMC, until it has been confirmed through an Account/Transaction Statement and payment has been received.
<b>Refunds</b>	Refund of subscription money to investors whose application is invalid for any reason whatsoever, or whose application has not been accepted in full will be without incurring any liability whatsoever for interest or other sum.
<b>Who can invest</b> This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile	<p>The following persons (subject wherever relevant to, purchase of Units being permitted under their respective constitutions and relevant State Regulations) are eligible to apply for purchase of units under the Scheme:</p> <p>(i) Resident Indian Nationals who are:</p> <ul style="list-style-type: none"> <li>▪ Adult individuals as sole holder,</li> <li>▪ Adult individuals not exceeding three jointly or on an either/anyone or survivor basis.</li> <li>▪ Parents/Lawful guardians on behalf of Minors.</li> <li>▪ Partnership Firms</li> <li>▪ Hindu Undivided Families(HUF), through their Karta acting or on behalf of the HUF</li> <li>▪ Institutions, Companies, Bodies Corporate, Public Sector Undertakings</li> <li>▪ Banks (including Co-operative Banks and Regional Rural Banks), Funds, Financial and Investment Institutions and Societies registered under the Societies Registration Act 1860, or Co-operative Societies, subject to their byelaws permitting them to invest in the units of the mutual fund</li> <li>▪ Religious and Charitable Trusts, drafts or endowments and Private Trusts, under the provisions of Section 11(5) of Income tax Act, 1961 read with Rule 17(C) of Income tax Rules 1962 registered under the Societies Registration Act/Indian Trusts Act, Trustees of Private Trusts authorized to invest in mutual fund schemes under their trust deeds</li> <li>▪ Scientific and Industrial Research Organizations</li> <li>▪ Association of Persons/Body of Individuals, whether incorporated or not</li> <li>▪ Army/Air Force/Navy, other paramilitary units and bodies created by such institutions besides other eligible institutions</li> <li>▪ Mutual Funds registered with SEBI</li> </ul> <p>(ii) Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India.</p> <p>(iii) Overseas Financial Organizations which have entered into an arrangement for investment in India, inter-alia with a Mutual Fund registered with SEBI and which arrangement is approved by the Central Government.</p> <p>(iv) Non-Resident Indians (NRIs)/FIIs and Persons of Indian origin residing abroad, on a full repatriation basis or non-repatriation</p>



basis. Presently OCBs cannot invest in domestic mutual funds pursuant to RBI A.P.(DIR Series) Circular No.14 dated September 16, 2003.

- (v) Such other individuals/institutions/body corporate, etc. as may be decided by the Fund from time to time, so long as wherever applicable they are in conformity with regulations.
- (vi) Other Schemes of Principal Mutual Fund subject to the conditions and limits prescribed by applicable SEBI Regulations.
- (vii) The Trustees/Trust, AMC or Sponsor or its affiliates, its associate companies and subsidiaries may also subscribe to the units under this Fund.
- (viii) Provident/Pension/Gratuity/Superannuation Fund(s) and such other retirement and employee benefit and other similar Funds.

The Trustees may accept an application from an unincorporated body of persons/trusts. The Trustees may from time to time add and review the persons eligible for making application for purchase of units under the Scheme(s).

The Scheme(s) has not been and will not be registered in any country outside India. To ensure compliance with any Laws, Acts, Enactment, etc. including by way of Circulars, Press Releases, or Notifications of Government of India, the Fund may require/give verification of identity/any special/additional subscription-related information from/of the unitholders (which may result in delay in dealing with the applications, Units, benefits, distribution, etc./giving subscription details, etc.). Each unitholder must represent and warrant to the Trustees/AMC that, among other things, he is able to acquire Units without violating applicable laws. The Trustees will not knowingly offer or sell Units to any person to whom such offer or sale would be unlawful, or might result in the Fund incurring any liability or suffering any other pecuniary disadvantages which the Fund might not otherwise incur or suffer. Units may not be held by any person in breach of the law or requirements of any governmental, statutory authority including, without limitation, exchange control regulations. The Trustees may compulsorily redeem any Units held directly or beneficially in contravention of these prohibitions. In view of the individual nature of investment portfolio and its consequence, each unitholder is advised to consult his/her own professional advisor concerning possible consequences of purchasing, holding, selling, converting or otherwise disposing of the Units under the laws of his/her state/country of incorporation, establishment, citizenship, residence or domicile.

Kindly note that neither the Statement of Additional Information; nor this Scheme Information Document, nor the Application for the Units, nor the Units ("these Documents") have been registered in any jurisdiction. The distribution of these Documents in certain jurisdictions may be prohibited or restricted or subject to registration requirements and accordingly, persons who come into possession of any of these Documents are required to inform themselves about and to observe, any such restrictions. No person receiving a copy of any of these Documents in such jurisdiction may act or treat these Document or any part/portion thereof as constituting an invitation to him to subscribe for Units, nor should he in any event use any such Documents, unless in the relevant jurisdiction such an invitation could lawfully be made to him and such Documents could lawfully be used

	<p>without compliance with any registration or other legal requirements. Accordingly, none of these Documents (including or any part/portion thereof) constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to any one to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of any of these Documents and any persons wishing to apply for Units pursuant to these Documents to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.</p>
Where can you submit the filled up applications.	<p>Applications filled up and duly signed by the applicants for Subscription/Redemption/Switch should be submitted at the office of the ISCs/Official Points of Acceptance nearest to you whose names and addresses are mentioned on the last / back cover page of this SID. Investors can also subscribe and redeem units from the official website of AMC i.e. <a href="http://www.principalindia.com">www.principalindia.com</a></p> <p>Investors can also subscribe to the Units of Principal Large Cap Fund and Principal Emerging Bluechip Fund through MFSS facility of NSE. Please refer to section “<b>Trading in units through Stock Exchange Mechanism</b>” under Section B ‘<b>Ongoing Offer Details</b>’, for detailed provisions.</p> <p>Please refer the last/back cover page of this Scheme Information Document for name, address, contact no. and website address of the R&amp;T.</p>
How to Apply	Please refer to the SAI and Application form for the instructions.
Listing	Being open ended scheme(s), the units of the Scheme(s) will not be listed.
<p><b>Cut off timing for subscription/redemptions/ switches</b></p> <p>This is the time before which your application (complete in all respects) should reach the Official Points of Acceptance</p>	<p><b>Cut Off Time For Subscriptions/ Switch-in</b></p> <ul style="list-style-type: none"> <li>• In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;</li> <li>• In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and</li> <li>• In respect of the valid applications received with an outstation demand draft payable at par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which or demand draft is credited shall be applicable.</li> </ul> <p><b>Cut Off Time For Redemptions / Switch-out</b></p> <ul style="list-style-type: none"> <li>• In respect of valid applications received upto 3.00 p.m. at the Official Points of Acceptance of Transactions, same day’s closing NAV will be applicable</li> <li>• In respect of valid applications received after 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable.</li> </ul>

	<p>The above cut-off timings shall also be applicable to investments made through “Sweep” mode available in the Dividend Option.</p> <p>Cut off time as mentioned above shall be reckoned at the Official Points of Acceptance of transactions as disclosed in the SID and the website <a href="http://www.principalindia.com">www.principalindia.com</a>.</p>
<b>Minimum amount for purchase/redemption/switches</b>	<p><b>New Investor</b> - ₹5,000/- for both Dividend and Growth Option and any amount thereafter under each option.</p> <p><b>Existing Investor</b> - ₹500/- and any amount thereafter under each Option.</p> <p><b>For Principal Smart Equity Fund –</b></p> <p><b>Fresh Application</b> : Minimum application amount will be ₹5,000/- &amp; any amount in multiple of ₹1/- thereafter.</p> <p><b>Additional Purchase</b> - ₹500/- &amp; any amount in multiple of ₹1/- thereafter.</p> <p><b>Systematic Investment Plan/Systematic Transfer Plan / Systematic Withdrawal Plan:</b> Minimum Six installments of ₹500/- each.</p> <p><b>Minimum Redemption / Sale Amount:</b> ₹500/- or 50 units.</p>
<b>Minimum balance to be maintained and consequences of non maintenance</b>	<p>At present investor are not required to maintain minimum balance in their respective folios, however the AMC/Trustees reserves the right to change it at any future date by giving advance notice.</p>
<b>Special facilities for Investors/Unit holders</b>	<p>The Fund reserves the right to amend or terminate or introduce special facilities in the SID. The current special facilities offered are as follows:</p> <p><b>1. Switching Option</b></p> <p>Investors can opt to switch the units between Dividend Option and Growth Option at NAV based prices. Switching will also be allowed into/from other select open ended scheme(s) managed under the Fund, either currently in existence or the scheme(s) that may be launched in the future at NAV based prices.</p> <p>In the case of NRIs, FIIs, etc. this will be subject to necessary approval (if any) from the Reserve Bank of India and any other approval as applicable. Tax deduction at source, if any, will be effected at the appropriate rate in case of a switch and the balance amount would be utilized to exchange units to the other Scheme.</p> <p>A request for switch may be specified either in terms of amount or in terms of the number of units of the scheme/plan/option from which the switch is sought. Such instructions may be provided in writing by completing the switch form or using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement and lodging the same on any business day at any of the designated Official Points of Acceptance. The switch will be effected by redeeming units from the scheme(s) in which the units are held and investing the net proceeds in the other Scheme, subject to the minimum balance</p>

applicable for the respective Scheme(s).

## 2. Systematic Investment Plan

Systematic Investment Plan (SIP) is available for planned and regular investments. Under SIP, unit holders can benefit by investing specified rupee amounts periodically for a continuous period. This concept is called Rupee Cost Averaging. This program allows unit holders to save a fixed amount of rupees every month/quarterly by purchasing additional units of the Scheme(s).

### Example

Let us take an example of a unit holder who invests ₹3000/- per month

Month	NAV	Amount (₹)	Units
April 1	10.50	3000	285.71
May 1	10.65	3000	281.69
June 1	10.05	3000	298.50
July 1	9.75	3000	307.69
August 1	9.60	3000	312.50
September 1	9.50	3000	315.79
October 1	9.25	3000	324.32
November 1	9.05	3000	331.49
December 1	8.90	3000	337.08
January 1	8.75	3000	342.86
February 1	8.50	3000	352.94
March 1	8.80	3000	340.91
<b>TOTAL</b>		<b>36000</b>	<b>3831.48</b>

**Note:** The figures of NAV are hypothetical and are for illustrative purposes only.

At the end of one year the unitholder would have 3831.48 units.

Rupee Cost Averaging does not guarantee a profit nor protect against a loss. Rupee Cost Averaging can smooth out the market's ups and downs and reduce the risk of investing in volatile markets.

### Features of the SIP

1. SIP Applications will be accepted on any working day of the month. Accordingly the units will be allotted on the date of receipt of valid SIP Application along with a SIP investment cheque dated not beyond the date of the Application. Thereafter the date for the first SIP installment shall be 1<sup>st</sup>, 5<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup> of a particular month ("specified dates for SIP investments") as selected by the Investor OR the nearest date amongst the Specified Date subsequent to receipt of the application, as the case may be after completing a minimum time gap of 30 days from the date of the first SIP investment cheque. E.g. If a duly completed SIP enrolment is received within the applicable cut-off timings on January 27, 2012 along with a valid cheque dated not beyond January 27, 2012, for a SIP investment of ₹.500/- per month (together with 5 or more post dated cheques each for a minimum of ₹500/-), units will be allotted on January 27, 2012 with the scheme applicable NAV, and the next SIP date [first SIP Installment date] will be March 1, 2012 or immediately following business day if March 1, 2012 is a non-

business day OR such other date amongst the Specified Dates as per the application form.

2. Investors, who wish to opt for ECS (debit clearing) facility available with select banks, should ensure that there is a minimum time gap of 30 days between the first cheque for SIP enrolment and first installment of SIP through ECS or Direct Debit. Dishonoured cheque(s) may not be presented again for collection.
3. Unit holders need not submit a copy of cancelled cheque provided the SIP Auto Debit Facility Enrolment Form is attested by the Bank from which SIP installments will be debited.
4. Unit holders have the right to discontinue the SIP facility at any time by sending a written request to any of the designated Investor Service Centers (ISCs) of Principal Mutual Fund. Please also note that notice of such discontinuation should be received at least 18 working days (as against the existing provision of 7 working days) prior to the due date of the next SIP installment.
5. SIP enrolment will be discontinued by Principal Pnb Asset Management Company Pvt. Ltd. [AMC] in case [a] the SIP installment is not honored consecutively for three SIP installments, [b] the Bank account [for ECS (Debit Clearing) and/or Standing Instruction for direct debit] is closed and the request for change in bank account is not submitted by the concerned unit holder at least 18 working days before the due date of next SIP installment. Further, in such cases the balance cheques, if any, will be returned to the unit holder.

**Micro SIP:**

Pursuant to SEBI's communication to AMFI vide its letter dated June 19, 2009; AMFI has issued guidelines for uniform implementation of the said SEBI letter. In accordance to the same, Systematic Investment Plans (SIP) up to ₹50,000/- per year per investor ('Micro SIP') shall be exempt from requirement of PAN.

This exemption will be applicable ONLY to investments by individuals (including NRIs but not PIOs), Minors and Sole proprietary firms. HUFs and other categories will not be eligible for Micro SIPs. Details on Micro SIP are available in Statement of Additional Information.

However, effective January 1, 2012, new Investors registering for Micro SIP have to mandatorily submit KYC acknowledgement letter.

**Systematic Investment Plan (SIP) for Corporate Employees.**

With a view to encourage employees of Corporate to invest their savings into the various Schemes of our Mutual Fund, Principal Mutual Fund provides an investment facility to the employees of Corporate under the Employee Savings Plan (ESP).

This feature will be guided by the terms and conditions as laid down below:

1. Under this feature the employees can submit application vide the normal application and/or ESP Forms. The employee is required to fill the details in the normal application/ ESP form providing the details of amount and duration of such SIP installments and the details of such investment should also be provided to the Human Resources Department of such Corporate (HRD).
2. The employees should instruct the HRD to deduct the amount of Investment every month / quarter from their salary for such period as indicated by him / her. Such periodicity shall be monthly or quarterly.
3. The minimum amount and periodicity, to be contributed to open an account under this option is as per the minimum scheme requirements as prescribed under Systematic Investment Plan/additional subscription of the Scheme.
4. The periodic employee contribution should be the minimum application amount and the same should be higher than that of SIP. The employee has an option to select either 1<sup>st</sup> or 5<sup>th</sup> of every month for such investment.
5. The employee can seek redemption independently.
6. The applicable NAV for application received under such plan, will be as per the date and time (refer to section on cut off timing) on which the request / payment instrument and sheet detailing the list of Investment of such employees, is received from HRD of such Employees at the Official Points of Acceptance of AMC .

### **3. Systematic Withdrawal Plan**

A unitholder may avail of the Systematic Withdrawal Plan and receive regular payments from the account. The unitholder has an option to select 1<sup>st</sup>, 11<sup>th</sup> or 21<sup>st</sup> day of the month on which the Systematic Withdrawal is to be made.

The unitholder may set up a Systematic Withdrawal Plan on a monthly, quarterly or semi-annual or annual basis as follows:

- Redeem a fixed number of units
- Redeem a fixed amount

Once the unitholder sets up a Systematic Withdrawal Facility the plan would continue until:

- The unitholder instructs the Fund to stop periodic withdrawal in writing; or
- The unitholder's account balance is zero
- On expiry of the time/period specified by the unitholder

Withdrawal payments will be endeavoured to be sent within 3 Business Days after the repurchase date.

The minimum balance amount needed for the Systematic Withdrawal Plan may be altered from time to time at the discretion of the AMC.

### **4. Systematic Switch/Transfer Plan**

The unitholder may set up a Systematic Switching/Transfer Plan (STP)

on a monthly, quarterly, semi-annual or annual basis to exchange a fixed number of units and /or amount in one scheme to another scheme or one plan/option to another.

Once the unitholder sets up a Systematic Switching / Transfer Plan the plan would continue until:

- the unitholder instructs the Fund to stop periodic switching in writing; or
- the unitholder's account balance is zero.

The unitholder has an option to select 1<sup>st</sup>, 11<sup>th</sup> or 21<sup>st</sup> day of the month on which the Systematic Switch is to be made.

If the selected date is not a business day, the switch will take place on the next business day.

All switches are subject to the minimum investment and eligibility requirements of the switch in scheme.

The amount thus switched shall be converted into the respective scheme units at the applicable NAV, subject to an exit load, if any (on which date the payment/switch is scheduled), and such units will be subtracted from the unit balance of that unitholder.

The minimum balance amount needed for the Systematic Switch Plan may be altered from time to time at the discretion of the AMC.

Unitholders may change the amount of systematic withdrawal/switch but not below the specified minimum amount of repurchase for a particular Scheme by giving 30 days written notice to the Registrars/AMC. The various triggers for activating a systematic withdrawal and/or switch facility can also be used for activating a normal repurchase and/or switch facility

## **5. TRIGGERS**

Under this facility, the unit holders may opt for withdrawal and/or switch in the normal manner based on the value of investment either reaching upto or below or above/beyond a specified particular value; the capital appreciation/gains realization either equals to or becomes more/lower than a specified particular amount or percentage on happening of a particular event, on a particular date etc. (with or without lock in for a particular period). Trigger thus acts as a financial planning tool for information and the unit holder may subsequently continue in the scheme or otherwise withdraw/switch. For e.g. an account may be monitored and the unit holder either informed or account redeemed (no redemption will be permitted if under lock-in) as and when the balance reaches or crosses (rise or fall) a desired value or after a certain period of time etc. This helps the unit holders to minimise the loss and/or book timely profits. In case of triggers linked with events/dates, on realisation of gains (equal to/beyond/lower than), a specified amount/full amount/gains/appreciation etc. would be redeemed and paid either when the investment reaches upto and/or beyond (above or below) a particular value or after a particular period of time.

In case of triggers linked with gains/appreciation, at the option of the



unit holder, either the amount equivalent to gains/appreciation would be redeemed or the full original investment amount would be redeemed and the gain/appreciation component paid to the unit holder/switched into other scheme/plan, and the original investment amount would be reinvested either in the same scheme/plan or any other scheme/plan.

### ACTIVATION OF TRIGGER

Unit holders shall note that NAV of a scheme is determined on close of the business day taking into consideration closing prices of the securities on the primary stock exchange (*please refer to clause on "Valuation Policy" in the SAI & "Computation of NAV" in the SID*). Intra day prices are not considered for valuing the scheme's portfolio. Value of the unit holder's unit balance at the end of a relevant business day based on that day's NAV and closing value of a relevant index of a stock exchange would be used as a base for activating the triggers. However all redemptions/switches/reinvestments etc. linked to triggers will always be at the applicable NAV based prices of the day on which the event occurs.

Please also note that the trigger is an additional facility provided to the unit holders to save time on completing the redemption/switch formalities on happening of a particular predetermined event. Trigger is not an assurance on part of AMC/Fund to the investor that he/she will receive a particular amount of money/appreciation and/or a percentage on redemption or will get a particular amount of capital appreciation or will minimise the loss to investor to a particular amount or percentage. Trigger is an event on happening of which the Fund will automatically redeem and/or switch the units on behalf of the investors on the date of happening of the event. In actual parlance, a trigger will activate a transaction/alert when the event selected for has reached a value greater or less than the specified particular value (trigger point).

Unit holders can opt from any one of the following event under trigger option:

1. *When value of investment of the unit holder reaches or crosses a particular value/falls to or closes below a particular value*

**Eg. Investment Value reaches or crosses ₹11000/-**

Trigger Activation

If investment value at NAV based price is less than ₹11,000/-, trigger will be activated when value of the units at NAV held by unit holders rises to ₹11000/- or more on close of any business day.

**Eg. Investment Value falls to or closes below ₹11000/-**

If investment value at NAV based price is more than ₹11,000/-, trigger will be activated when value of the units at NAV held by unit holders falls to ₹11000/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of units held by unit holders reaches or crosses or falls below ₹11,000/-.

2. *Capital appreciation of a particular amount*

**Eg. Capital appreciation by ₹1000/-**

Trigger Activation

Trigger will be activated when value of units invested at NAV based



price appreciate by ₹1000/- or more at NAV on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of investment held by unit holders increases by at least ₹1000/-.

*3. NAV reaches or crosses a particular value*

**Eg. NAV reaches or crosses ₹11/-**

**Or when NAV falls to or closes below ₹11/-**

Trigger Activation

If NAV on the date of allotment of investment is less than ₹11/-, trigger will be activated when NAV rises to ₹11/- or more on close of any business day. If NAV on the date of allotment of investment is more than ₹11/-, trigger will be activated when NAV falls to ₹11/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which NAV reaches or crosses or falls below ₹11/-.

*4. BSE Sensex reaches or crosses a particular value*

**Eg. BSE Sensex reaches or crosses 16000**

**Or when BSE Sensex falls to or closes below 16000**

Trigger Activation

If BSE Sensex on the date of allotment of investment is less than 16000, then trigger will be activated when BSE Sensex rises to 16000 or more on close of any business day. If BSE Sensex at the time of investment is more than 16000, then trigger will be activated when BSE Sensex falls to 16000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the BSE Sensex reaches or crosses or falls to or closes below 16000 mark.

*5. NSE Nifty reaches or crosses a particular value*

**Eg. NSE Nifty reaches or crosses 5000**

**Or when NSE Nifty falls to or closes below 5000**

Trigger Activation

If NSE Nifty on the date of allotment of investment is less than 5000, then trigger will be activated when NSE Nifty rises to 5000 or more on close of any business day. If NSE Nifty on the date of allotment of investment is more than 5000, trigger will be activated when NSE Nifty falls to 5000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the NSE Nifty reaches or crosses or falls below 5000 mark.

*6. On a particular day or date*

**Eg. On 31/1/2012**

Trigger Activation

Trigger will be activated on 31/1/2012. All transactions linked with trigger will be on the basis of NAV of 31/1/2012 or on 1/2/2012 if 31/1/2012 is not a business day.

*7. Change in the value of units (held by unit holders) at least by certain percentage*

**Eg Change in Investment Value at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when value of the units at NAV based price invested by unit holders rises to 10% or more at NAV on close of any

business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders falls by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either rises by 10% or more at NAV or falls by 10% or more on close of any business day.

Percentage rise or fall in value of units will be calculated on the amount invested by the unit holders.

*8. Capital appreciation of at least a certain percentage*

**Eg. Capital appreciation of at least (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when value of the units at NAV based price invested by unit holders appreciate to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders depreciates by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either appreciates by 10% or more at NAV or depreciates by 10% or more at NAV on close of any business day.

Difference between the value of units on close of a business day (at NAV) and amount invested (at NAV based price) will be used as a base for calculating percentage of capital appreciation.

*9. Change in the NAV at least by a certain percentage*

**Eg. Change in NAV at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when the NAV of the units rises by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units either rises by 10% or more or falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment

**Percentage rise or fall in NAV will be calculated comparing NAV on a particular business day with the NAV on the date of allotment of investment.**

*10. Change in the BSE Sensex at least by a certain percentage*

**Eg. Change in BSE Sensex at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when the BSE Sensex rises by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex either rises by 10% or more or falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment.

Percentage rise or fall in BSE Sensex will be calculated comparing BSE Sensex on a particular business day with the BSE Sensex on the date of allotment of investment.

*11. Change in the NSE Nifty at least by a certain percentage*

**Eg. Change NSE Nifty at least by (+ or — or +) 10%**

#### Trigger Activation

Trigger will be activated when the NSE Nifty rises by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty either rises by 10% or more or falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment.

#### **Percentage rise or fall in NSE Nifty will be calculated comparing NSE Nifty on a particular business day with the NSE Nifty on the date of allotment of investment;**

On happening of any of the above mentioned events, the Unit holder can opt for the following action on the date of happening of the relevant event;

- Full redemption
- Redemption of gains only
- Full switch into other Scheme/Plan / Option of Principal Mutual Fund
- Switch of only gains into other Scheme / Plan/Option of Principal Mutual Fund
- Full Redemption: Original investment amount reinvested in any scheme of Principal Mutual Fund and gains paid to unit holder
- Full redemption: Gains reinvested in any Scheme/Plan/Option of Principal Mutual Fund and investment amount paid to unit holder
- Redemption of certain number of units
- Redemption of certain amount

Transactions linked with the triggers will be at the applicable NAV based price of the business day on which the event takes place. Further all the predetermined events i.e. the value of the unit balance, capital appreciation, NAV, BSE Sensex, NSE Nifty will be compared with the value of units, NAV, BSE Sensex and NSE Nifty prevailing on the date of investment (i.e. date of allotment) irrespective of the fact whether the trigger is opted on the date of allotment of investment or subsequently.. For eg an investor has invested at ₹11/- and opted for full redemption if NAV appreciates at least by 10%. Trigger will be activated on the business day when NAV moves to ₹12.10 (i.e. 10% more than ₹11/-) or more.

Triggers(s) linked to BSE Sensex or NSE Nifty will always compare the value of BSE Sensex or NSE Nifty on close of business day. In case BSE or NSE is open on a non-business day, its value will not be considered even if it reaches or crosses a trigger value, and on any subsequent business day if the value of BSE or NSE is reached, the same would be considered for trigger purposes. For eg. A unit holder has opted for full redemption if NSE Nifty reaches or crosses 5000 mark. If NSE is open on January 1, 2012, but it is not a business for the Fund, trigger will not be activated (i.e. redemption will not take place) even though closing value of Nifty as on January 1, 2012, is 5000 or more.

The closing value of BSE Sensex/NSE Nifty on non business day will

be ignored for trigger activation. A trigger once activated will not be reactivated in any other scheme where the switch/reinvestment happens or in the same scheme which retains part of the value or in case of normal redemption/switch before trigger activation. Triggers will be deactivated on redemption and/or switch and/or pledge of units except in case where Only Gains are to be redeemed or switched and opted for the same in the trigger form.

## 6. Future Goal Series

The Future Goals Series is a carefully structured suite of scheme(s) designed to meet a wide range of investment needs. Not only do unit holders have a comprehensive choice of schemes(s) and plans within these scheme(s), but also it is easier for unit holders to move between Scheme(s) as their needs change. Initially four schemes namely Principal Growth Fund (Open ended equity scheme), Principal Income Fund (Open ended income scheme), Principal Balanced Fund (Open ended balanced scheme) and Principal Cash Management Fund (Open ended liquid scheme) were launched as part of Future Goals Series. Subsequently Principal Index Fund (Open ended index scheme), and Principal Government Securities Fund (Open ended dedicated Government Securities scheme investing in government securities), Principal Debt Savings Fund (Open ended Income fund), Principal Near Term Fund (Open ended debt scheme), Principal Dividend Yield Fund (Open ended equity scheme), Principal Global Opportunities Fund (Open-ended fund of funds scheme), Principal Large Cap Fund (Open - ended equity scheme), Principal Services Industries Fund (Open - ended equity scheme), Principal Bank CD Fund (Open ended debt scheme) and Principal Retail Money Manager Fund (Open ended liquid scheme), Principal Emerging Bluechip Fund (Open - ended equity scheme) Principal Retail Equity Savings Fund (Open ended Equity Scheme) and Principal Smart Equity Fund (Open ended equity scheme) launched by Principal Mutual Fund have been included as a part of Future Goal Series.

## ASSET ALLOCATION - THE CONCEPT EXPLAINED

The investor has an option to invest in two or more of the eligible Scheme(s) under the Asset Allocation Programme to allocate his investment across different asset classes at the time of investment. The allocation would differ for different investor classes at different stages of their lifecycle – for example a young investor may typically invest more in higher return – higher risk assets like equities. Each investment type has a different level of risk and potential return associated with it. One way of reducing risk over short periods of time is to spread/allocate the investment into different investment types i.e. asset allocation between different asset classes i.e. different scheme(s).

Different investment types tend to experience good performance at different times. By not having all the investment in one asset class, a unit holder can offset the higher returns expected in one investment to offset any poor performance that may occur from another asset class. A diversified programme such as The Future Goals Asset Allocation Programme attempts to overcome the inherent volatility of any particular investment types and will typically enable the unit holder to invest across equity, fixed income products and short-term money

market/cash products.

Asset Allocation takes diversification one step further. It seeks to find what proportions of equity and debt investments work together most efficiently to achieve the highest return possible for a certain level of risk. While asset allocation cannot guarantee a profit, it is a way for most unitholders to increase potential returns and reduce risk.

The asset allocation programme works on the following principles:

- Allocation of investment to different asset classes by the unit holder at the time of investment
- Rebalancing the portfolio at periodic intervals by the AMC to maintain the stated proportion in the same applicable ratio as stated by the unit holder at the time of original investment unless changed.

The rebalancing mechanism at periodic intervals would ensure that if there are changes in the market value of assets under a certain class causing the proportion of investment in that asset class to increase/decrease from the originally stated allocation, on the rebalancing date, the AMC would add/ reduce assets in that class. Therefore, on all rebalancing dates, the asset proportion ratio would match those indicated by the unit holder at the time of original investment.

**Example:**

The concept of asset allocation is further clarified through an illustrative example. Investor A invests ₹1,00,000/- in the following proportion on January 1, 2012 and the reallocation date is on a half yearly basis:

January 1, 2012

	Proportion	NAV per unit	No. of units	Amount (₹)
Growth Fund	50%	10	5000	50000
Income Fund	30%	10	3000	30000
Balanced	10%	10	1000	10000
MIP Fund	10%	10	1000	10000
Total	100%		10000	100000

In the period between the date of which the investment is made and the date of rebalancing i.e. June 30, 2012, the markets react and the values of the Investment of Investor A are valued as follows:

**Reallocation date (before reallocation)**

	Proportion	NAV per unit	No. of units	Amount (₹)
Growth Fund	57%	15	5000	75000
Income Fund	27%	12	3000	36000

Balanced	8%	11	1000	11000
MIP Fund	8%	11	1000	11000
Total	100%		10000	133000

The unit holder's assets will then be rebalanced i.e. assets in some scheme(s) will be bought by the sales proceeds of other scheme(s) by way of inter scheme switch, to bring the total investment of the unit holder back to the originally nominated proportion:

	Proportion	NAV per unit	No. of units	Amount (₹)
Growth Fund	50%	15	4434	66502
Income Fund	30%	12	3325	39900
Balanced	10%	11	1209	13299
MIP Fund	10%	11	1209	13299
Total	100%		10000	133000

The features of Future Goals - Asset Allocation Programme are as explained below:

#### **Minimum Number Of Schemes In Which The Unitholder Must Invest**

Under the asset allocation programme, a unitholder must invest in and remain invested in at least two Scheme(s). At the discretion of the AMC it may introduce further schemes into the Future Goals - Asset Allocation Programme at a later date or may increase the minimum number of scheme(s) that the unitholder should invest in.

#### **Investment Direction**

The unitholder must at the time of investment indicate the investment direction that he/she wishes to opt for. This would mean that the unitholder must mark the percentage of the total investment that he/she would like to invest in each of the Scheme(s).

#### **Example:**

Mr. X, age 45 is a unitholder who wishes to have a regular income stream but also some possible upside. His choice may be as below:

Growth	Income	Balanced	MIP	Total
25%	50%	15%	10%	100%

Ms. Y, age 30 is a unitholder who is willing to take a larger risk but would like to have a high return that is also tax efficient. Her choice may be as follows:

Growth	Income	Balanced	MIP	Total
60%	8%	30%	2%	100%

Every unitholder must at the time of investment provide details about

the investment direction that he/she wishes to follow.

At any time (subject to 4 times in a Calendar year) during the investment period as stated in the “switching clause” the unitholder may change / alter the investment direction keeping the total at 100%. The unitholder may switch or simply instruct the new scheme wise percentage to the AMC for altering the investment direction. The Investment Manager would also be designing model portfolios representing different Scheme(s) of the Fund, containing debt and equity, and therefore the models would vary in their degree of return potential. The unitholder may select a model that matches his risk tolerance with his need for the income and growth potential. The unitholder must send any change in investment direction duly signed in writing to the Fund. It will be the endeavour of the AMC to process the change in investment direction as soon as possible. The maximum time that the AMC can take (under normal circumstances) to change the investment direction of the unitholder is 3 Business Days.

#### **Minimum Investment Amount**

The minimum investment amount for participating in the Future Goals - Asset Allocation Programme is ₹10,000/- and in multiples of ₹1 with subsequent investment of ₹ 1000 and in multiples of ₹1 thereafter. The minimum initial investment requirement for each Scheme would be waived. The AMC reserves the right to reduce or increase this amount at any time or for any group of investors.

#### **Switching And Loads**

The unitholder is allowed **four switches** (or as may be decided by the AMC) per calendar year between the various Schemes under the Future Goals - Asset Allocation Programme or between various plans within the same Schemes of the programme so as to enable him change the investment direction i.e. the asset proportion ratio. The exit load payable on switch/leaving Scheme(s) will be waived unless the unitholder chooses to withdraw his investment from a minimum of two or more Schemes or otherwise under/from the Programme of the Fund. Any switch would thus have the effect of changing the investment direction.

#### **Sales And Load**

The unitholder can at any time subscribe to the units of the Scheme(s) under the programme either for the first time or otherwise. If the subscription is subsequent to the initial investment, then the unit holder has to specify the investment direction (between two or more Scheme(s) or for a particular Scheme). The subscription would be at applicable NAV based price. If no investment direction is stated then, the original asset proportion direction would be used. Any subscription would thus have the effect of changing the investment direction till the time Automatic Re-balancing is done at the original asset proportion direction.

#### **Repurchase And Load**

The unitholder can at any time seek repurchase / redemption of units of the Scheme(s) under the program either in full or in part for a particular Scheme or Scheme(s). The unitholder can also seek repurchase / redemption of that quantity/amount so as to maintain the same investment direction. The redemption would be at applicable



NAV based price (with applicable loads). Any repurchase would thus have the effect of changing the investment direction till the time Automatic Re-balancing is done at the original asset proportion direction. Systematic withdrawals can be set up on a monthly, quarterly, semi annually or annual basis. Withdrawals are drawn from the portfolio in percentages which equate to the percentage of each Scheme held in the portfolio, unless requested otherwise.

#### **Automatic Re-balancing**

Based on the conditions and performance of different Scheme(s) in which the Unitholder has invested and also if he has done any fresh subscription and /or redemption, the proportion/percentage of his investment in different Scheme(s) may change between two dates when Automatic Re-balancing can happen.

The AMC would at the end of each calendar half year, i.e., on June 30 and December 31 (immediate next business day in case these days are holidays) of each year or any other date as may be deemed fit and necessary by the AMC for the benefit of unitholders taking into account the market conditions, etc., automatically re-balance the investments of the unitholder in the proportion as stated by the unitholder at the time of original investment, unless changed (maximum upto 4 times in a calendar year) by the unitholder in writing. In alternative to the above, at the choice of the unitholder, rebalancing can be done at prefixed intervals i.e. quarterly, semiannually, annually or by request or any such period as the AMC may permit on specific request of the unitholder. Besides the unitholder also has the option to select the date on which the re-balancing is desired. If no date is selected the regular re-balancing would then be done at a date which would fall after the interval selected from the date of allotment of units. For example, if the period selected by the unitholder is quarterly and his date of allotment is say October 31, 2011, then the re-balancing would be done (if no date is selected) after 90 days on the 91st day from October 31, 2011 i.e. January 29, 2012. If the period & date is not provided, automatic rebalancing will be completed on 30th day of June & 31st day of December, or the following business day if 30th June & 31st December is not a business day. The unitholder can also request no re-balancing of his investments. The re-balancing would be by way of switch between Schemes which may have tax consequences. Automatic Re-balancing assures that the risk/ return mix is within comfort zone.

### **7. TRANSACTIONS THROUGH STOCK EXCHANGE MECHANISM**

Pursuant to the provisions of SEBI circular no. bearing reference SEBI/MD/CIR No. 11/183204/2009 dated November 13, 2009 and guidelines issued by National Stock Exchange (NSE) thereafter, the below mentioned eligible schemes of Principal Mutual Fund (PMF) have been admitted on the order routing platform of NSE w.e.f. April 19, 2010 enabling investors to submit applications for subscription and redemption there under:-



Name of the Scheme(s)	Type of Scheme(s)
Principal Emerging Bluechip Fund	An open ended equity scheme(s)
Principal Large Cap Fund	

**The salient features of this facility are as follows:**

1. Purchase/redemption of units will be available to both existing and new investors. Currently switching of units, Systematic Investment Plan, Systematic Transfer Plan, Systematic Withdrawal Plan will not be permitted through this facility.
2. The list of eligible schemes is subject to change from time to time.
3. In order to facilitate transactions through stock exchange infrastructure, NSE has introduced Mutual Fund Service System (MFSS). All trading members of NSE registered as Participants with NSE [Eligible Brokers] and/or registered Clearing Members of National Securities Clearing Corporation Limited (NSCCL) [Clearing Members] who are registered with AMFI as mutual fund advisors and who are empanelled with Principal Pnb Asset Management Company Pvt. Ltd. (AMC) will be eligible to offer this facility to the investors. Further, only for the purpose of processing redemption request Depository Participant of Depositories who are registered with AMFI as mutual fund advisors and empanelled with AMC are eligible for processing redemption transaction  
  
Eligible investors who are willing to transact under this facility are required to register themselves with Eligible Broker/Clearing Members/Depository Participants.
4. The units of eligible schemes are not listed on NSE and the same cannot be traded on stock exchange like shares. The window for purchase/ redemption of units on NSE will be available between 9.00 a.m. to 3.00 p.m. or such other timings as may be decided.
5. All Eligible Brokers/Clearing Members/Depository Participants will be considered as the Official Point of Acceptance for the transactions done under this facility.
6. Investors have an option to hold units in physical form or in dematerialized form.
7. International Security Identification Number (ISIN) in respect of plans/options of the eligible schemes have been created and admitted in National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
8. Investors will be able to purchase/redeem units in the eligible schemes in the following manner:

**I. Physical Form:**

- (a) Investors desirous of transacting (subscription/redemption)

through NSE should approach an Eligible Broker along with duly filled in application form and other documents (including KYC and PAN) as may be required. The payment for subscription should be made to the eligible broker.

- (b) Dispatch of accounts statements and payment of redemption proceeds will be made by the Mutual Fund / registrar directly to the investor. Based on the information provided by the investor the redemption payout shall be to the investor's bank account registered with the Mutual Fund.
- (c) In case of a subscription transaction, the allotment of units will be on 'Provisional' basis till the time AMC/Karvy Computershare Pvt. Ltd. (registrar) has received all the required documents from the eligible brokers. Any application for redemption of units so allotted on provisional basis will be rejected.
- (d) In case investor desires to convert the existing physical units into dematerialize form, the request for the same will have to be submitted to the Depository Participant.

## **II. Dematerialized Form:**

- (i) Eligible investors having a beneficiary account with a Depository Participant may avail the facility to subscribe units in dematerialize form.
- (ii) Eligible investor desirous in transacting (Subscription / redemption) through NSE should place an order with Eligible Broker/Clearing Member/Depository Participant:-

(a) **In case of subscription**, the payment of subscription money should be made to the Eligible Broker / Clearing Member. Investors shall receive units through Eligible Broker / Clearing Member's pool account. Principal Mutual Fund (PMF) / Principal Pnb Asset Management Company Private Limited (PAMC) would credit the units to Eligible Broker / Clearing Member's pool account and the Eligible Broker/Clearing member in turn to the respective investor.

(b) **In case of redemption**, investors shall receive redemption amount through Eligible Broker / Clearing Member's /Depository Participant's pool account. Payment of redemption proceeds will be made by PMF / PAMC to the Eligible Broker / Clearing Member /Depository Participant and the Eligible Broker / Clearing Member/Depository Participant in turn to the respective Investor.

Payment of redemption proceeds to the Eligible Broker/Clearing Members/Depository Participant by PMF / PAMC shall discharge PMF / PAMC of its obligation of payment to individual investor. Similarly, in case of subscription, crediting units into Eligible Broker/Clearing Member pool account shall discharge PMF / PAMC of its obligation to allot units to individual investor.

9. Applications for purchase/redemption of units which are incomplete / invalid are liable to be rejected.

10. For any complaints or grievances against the Eligible Broker / Clearing Member / Depository Participant with respect to

	<p>transactions done through NSE, the investor should either contact the concerned Eligible Broker / Clearing Member/Depository Participant or Investor Grievance Cell of NSE. In case of non-financial request/applications such as change in address, change in bank details etc. the investors should approach Investors Service Centers of Principal Mutual Fund if units are held in physical mode and the respective Depository Participant if the units are held in dematerialized mode.</p> <ol style="list-style-type: none"> <li>11. Investors will have to comply with KYC norms as prescribed by NSE/CDSL/NSDL and Principal Mutual Fund from time to time.</li> <li>12. The applicability of NAV will be subject to guidelines issued by SEBI on uniform cut-off timings for applicability of NAV for Mutual Funds Scheme(s)/plan(s).</li> <li>13. This facility shall be subject to the terms and conditions specified and guidelines issued by SEBI/AMFI/NSE from time to time.</li> <li>14. AMC reserves the right to change / modify or discontinue this facility at any time in future.</li> </ol>
Accounts Statements	<p>Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto read with SEBI Circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, Investor whose transaction has been accepted by PMF shall receive the following :-</p> <ol style="list-style-type: none"> <li>(i) On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted will be sent by way of an email and/or SMS within 5 Business Days from the date of receipt of transaction request to the Unit holders' registered e-mail address and/or mobile number.</li> <li>(ii) A ^Consolidated Account Statement (CAS) for each calendar month shall be sent to the Unit holder(s) in whose folio(s) **transaction (s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month vide e-mail (where e-mail id has been provided)/physical copy (where e-mail id has not been provided).</li> <li>(iii) For the purpose of sending CAS, common investors across Mutual Funds shall be identified by their Permanent Account Number(PAN).</li> <li>(iv) In case of specific request received from the Unitholders, the AMC/PMF will provide the account statement for the Investors within 5 Business days from the receipt of such request.</li> <li>(v) In case of Folio(s) having more than one registered Unitholder, the first named Unitholder shall receive the CAS/Account Statement.</li> <li>(vi) The CAS shall not be sent to such Unit holders where the PAN details are not updated/provided in the folio(s). Such Unit holders are therefore requested to ensure that the folio(s) are updated with their PAN. Such Unit holder will get monthly account statement from PMF in respect of transactions carried out in the schemes of PMF during the month.</li> </ol> <p><b>Half Yearly Account Statement:</b></p> <p>^CAS detailing holding across all schemes of all mutual funds at the end of every six months (i.e. September / March), shall be sent by</p>

mail/e-mail on or before 10<sup>th</sup> day of succeeding month, to all such Unit holders in whose folios no transactions\*\* has taken place during that period.

The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

^ Consolidated Account Statement (CAS) shall contain details relating to all the transactions\*\* carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges paid to the distributor.

\*\*‘Transaction’ shall include Purchase, Redemption, Switch, Dividend Payout, Dividend Reinvestment, Systematic Investment Plan, Systematic Withdrawal Plan, Systematic Transfer Plan and Bonus Transactions.

**Account Statements for investors holding units of the scheme in demat accounts:**

Existing unitholder having an account statement who may wish to seek dematerialization of their Units, would have to submit a request with his/her Depository Participant by filing up the Dematerialisation Request Form (DRF) along with the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode.

Account statement for transactions of demat units of the scheme in the market may be obtained from the depository participants with whom the investor holds DP Account.

**Account Number:**

Each unit holder will have an account number. The number of units allotted to a unit holder or repurchased by a unit holder will be reflected in his or her account and a statement/advice to this effect will be issued to the unit holder.

**Common Account Number:**

As a unit holder friendly measure, (unless otherwise requested by the unit holder), one Common Account Number will be assigned for one entity/investor investing in different schemes of the Fund. In such a case, one consolidated account statement will be provided. The AMC reserves the right to assign the existing Common Account Number against multiple applications and/or subsequent purchases under a new application form by an existing unit holder, with identical mode of holding and address.

**Account Statement:**

The Account Statement shall not be construed as a proof of title and is only a computer-printed statement indicating the details of transactions under the scheme and is a non-transferable document. The Account Statement shall normally be dispatched within three business days on an ongoing basis.

	<p><b>Unit Certificates:</b></p> <p>Normally no unit certificates will be issued under the Scheme(s). However, if the unit holder so desires, the AMC shall issue a non-transferable unit certificate to the unit holder within 30 days of the receipt of request for the certificate. The cost of stamp duty paid for issuing the unit certificate will form part of the annual on-going expenses and/or may be recovered from the unit holder.</p> <p><b>Units With Depository:</b></p> <p>The units of the Scheme(s) are admitted for dematerialization with the Depositories. The unit holders have an option to convert their existing units into dematerialized mode, accordingly existing unitholders having an account statement who may wish to seek dematerialization of their Units, would have to submit a request with their Depository Participant along with the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode. The expenses incurred by the AMC in dematting of the referred units may be recovered from unitholders or may be charged to the scheme(s) as per annual recurring expenses.</p> <p><b>Rematerialisation of Demat Units:</b></p> <p>The unitholders who converted their units in demat mode may also rematerialize their units. The request for rematerialising the demat Units may be given to the respective Depository Participant (DP) of the investor. On receiving the confirmation of demat Units balance, account statement for the physical Units shall be issued. The same number of Units held in the demat mode shall be continued in the physical mode. Rematerialisation of demat Units shall be processed within the thirty days or such other days as may be stipulated under SEBI Regulations from the date of receipt of such a request, provided it is complete and valid in all respects.</p>
<p><b>Dividend Policy</b></p>	<p>In the interest of the Scheme(s) and the unit holders the AMC/Trustees may consider providing returns to the unit holders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme(s) after providing for all necessary recurring and other expenses. Distribution of dividend is subject to availability and adequacy of distributable surplus and approval of the Trustees. Quantum of dividend/units and the record date will be fixed by the Trustee and dividend so decided shall be paid, subject to availability of distributable surplus</p> <p>Only those unit holders whose names appear in the register of unit holders as on the record date will be entitled for dividend and/or bonus units. This date will be fixed by the AMC/Trustees appropriately.</p> <p>The dividend warrants and/or fresh Account Statement with the bonus units shall be dispatched / credited to the unit holders within 30 days or such stipulated period of the declaration of dividend/bonus units. In the event of delay the AMC shall pay to the concerning investor's interest @15% p.a. for such number of days beyond the specified period of 30 days.</p> <p>Dividends will be paid net of taxes as may be applicable, and payments will be in favour of the Unit holder's registered name or, if there is</p>

	<p>more than one registered holder, of the first named registered holder on the original application form. The Trustees may not declare a dividend at all in the event of inadequacy of distributable income. There is no assurance or guarantee to unit holders as to the periodicity of dividend and rate of dividends distribution.</p> <p>All benefits accruing/earned/received under the Scheme(s) in respect of income (not included in NAV), capital reserves and surpluses, if any, at the time of its/their declaration or otherwise under the Scheme(s) shall be available only to the Unit holders who hold units at the time of its/their declaration.</p> <p>Since distribution of dividend and /or bonus units shall be paid from the distributable surplus, the NAV of the Scheme(s) shall be adjusted to the extent of dividend paid and/or bonus issued.</p>
<p><b>Redemption</b></p>	<p><b>Repurchase Procedure:</b></p> <p>The units of the Scheme(s) can be repurchased (sold back to the Fund) on any business day. The repurchase request can be made on Application Form/Common Transaction form or by using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement, which should be submitted at any of the Official Point of Acceptance. Where the date of redemption is a non business day, the deemed date for such redemption will be the next business day.</p> <p>In case the units are standing in the names of more than one unit holder, where mode of holding is specified as “jointly”, repurchase requests will have to be signed by all the joint holders. However, in cases of holding specified as ‘either/anyone or survivor’, any one of the joint holders (in case of either/anyone or survivor) will have the power to make repurchase request. However, in all cases, the repurchase proceeds will be paid to the first named holder only.</p> <p>In case a unit holder has subscribed to units on more than one Business Day (either through continuation in case of existing unit holder, or through subsequent subscriptions), the units subscribed to prior in time (that is those units which have been held for the longest period of time), will be deemed to have been repurchased first, that is on a First - In -First-Out basis. However, a unit holder may request the Fund to repurchase units subscribed by him/her at different dates, by indicating the specific date of subscription of the units, which is offered for repurchase.</p> <p>The repurchase request can be made by specifying the Rupee amount or by specifying the number of units to be repurchased. If a repurchase request is for both a specified Rupee amount and a specified number of units, the specified rupee amount will be considered the definitive request. If only the repurchase amount is specified by the unit holder, the AMC will divide the repurchase amount so specified by the applicable NAV based price to arrive at the number of units. The request for repurchase of units could also be in fractions, up to three decimal places.</p> <p>If the number of Units held by the Investor as per the records maintained by AMC and/or the Registrar is less than the number of Units requested to be redeemed then, all the Units held by the Unit</p>

holder in such folio / Scheme / plan for which application for Redemption is made, shall be redeemed. Provided that, where redeem 'all' is specified in the request, all Unit holdings in that Scheme shall be redeemed.

The AMC reserves the right to change the minimum repurchase amount on a prospective basis subject to SEBI Regulations. Unit holders may also request for repurchase of their entire holding and close the account by indicating the same at the appropriate place in the Transaction Slip/Repurchase form.

#### **Repurchase Price**

The repurchase price will be calculated using the following formula:

Repurchase Price = Applicable NAV\*(1 – Exit Load, if any).

Example for calculation of Repurchase Price

If the Applicable NAV is Rs. 11.25 and a 1.00% exit load is charged the repurchase price will be calculated as follows:

Repurchase Price = ₹11.25 x (1-1.00% of ₹11.25)

= ₹ 11.25 - ₹ 0.1125

= ₹11.1375 per unit

The repurchase price shall not be lower than 93% of the NAV.

The AMC reserves the right to modify the exit load. However, any such change in the load structure shall be only on a prospective basis. The unit holder is requested to confirm the applicable exit load at the time of investment from the AMC/OPT.

#### **Repurchase by NRI's/ FIIs**

Credit balances in the account of an NRI/FII will be subject to any procedures laid down by the RBI. Such repurchase proceeds will be paid by means of a rupee cheque payable to the designated NRE/ NRO account of the unit holder or by a US dollar (or any other currency) draft drawn at the exchange rates prevailing at that time and subject to RBI procedures and approvals and subject to deduction of tax at source, as applicable. All bank charges in connection with such payment will have to be borne by the unit holder and/or the Scheme(s) by way of ongoing expenses. The Fund will not be liable for any delays or for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.

#### **Payment of Repurchase Proceeds**

The time limit set for dispatch of repurchase proceeds will be from the Business Day when the request is accepted at the Official Point of Acceptance. As per the SEBI Regulations, the Fund shall mail the repurchase proceeds within ten Business Days from the date of acceptance of valid request at any of the Official Point of Acceptance, in case of a repurchase request being sent by post.

In the event of failure to dispatch the repurchase or repurchase proceeds within the statutory period specified above as per the SEBI Regulations, the AMC shall be liable to pay interest to the unit holders at such rate (currently 15% per annum) as may be specified by SEBI for the period of such delay.

#### **Electronic Credit Clearing Services (ECS) Identified Banks**

ECS is a facility offered by RBI for facilitating better customer service



by direct credit of dividend or repurchase amount to a unit holder's bank account through electronic credit. This helps in avoiding loss of dividend or repurchases warrant in transit or fraudulent encashment. The Fund will endeavour to arrange such facility for payment of dividend/repurchase proceeds to the unit holders. However, this facility is optional for the unit holders. Repurchase proceeds may be released through the ECS facility to unit holders residing in any of the cities where such a facility is available. In order to avail the above facility, the unit holder will have to give a written request to the Registrar. If the unit holder has opted for the ECS facility his/her bank branch will directly credit the amount due to them in their account whenever the payment is through ECS. The Registrar will send a separate advice to the unit holder informing them of the direct credit. It may be noted that there is no commitment from the Fund that this facility will be made available to the unit holders for payment of dividend/repurchase proceeds. While the Fund will endeavour in arranging the facility it will be dependent on various factors including sufficient demand for the facility from unit holders at any centre, as required by the authorities. In places where such a facility is not available or if the facility is discontinued by the Fund for any reason the repurchase warrants will be mailed to the unit holder.

#### **Unit holder's Bank Account Details**

Unit holders are on a mandatory basis required to mention their bank account details in their applications/ requests for redemption. Redemption Cheques and/or any other instruments will then be made out in favour of the Bank for crediting the respective unit holder's account so specified.

The normal processing time may not be applicable in situations where such details are not provided by unit holders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

Further, in accordance with AMFI communication no. 135/BP/26/11-12 dated March 21, 2012, following process vis-à-vis change in bank mandate is being followed effective May 1, 2012 (effective date) -

#### **I. Change in Bank Mandate**

1. Updation of Bank Account in Customer's Folio shall be either through "Multiple Bank Account Registration Form" or a standalone separate "Change of Bank Mandate Form";
2. In case of standalone change of bank details, documents as entailed below should be submitted as a proof of new bank account details. Based on PAMC's internal risk assessment, PAMC may also consider collecting proof of old bank account and proof of identity of the clients, while effecting the change of bank account;
3. Customers are advised to register multiple bank accounts and choose any of such registered bank accounts for receipt of redemption proceeds;
4. Any unregistered bank account or new bank account forming part of redemption request shall not be entertained or processed;
5. Such Investors, who have not already provided bank mandate at



	<p>the time of making investment, are required to submit proof of new bank account details as entailed here below. Such Investors are also required to submit valid Proof of Identity as prescribed under KYC guidelines along with Proof of Investment; and</p> <p>6. Any change of Bank Mandate request received/processed few days prior to submission of a redemption request or on the same day as a standalone change request, PAMC will continue to follow cooling period of 10 calendar days for validation of the same.</p> <p><u>Investors are required to submit any one of the following documents in Original or produce originals for verification or copy attested by the Bank –</u></p> <p><b>New Bank Account Registration</b></p> <ul style="list-style-type: none"> <li>- Cancelled original cheque of new bank mandate with first unitholder name and bank account number printed on the face of the cheque; OR</li> <li>- Self - attested copy of bank statement; OR</li> <li>- Bank Passbook with current entries not older than 3 months; OR</li> <li>- Letter from the bank on its letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager/authorised personnel.</li> </ul> <p>AND Proof of Identity as prescribed under KYC guidelines along with Proof of Investment - only for such investors who have not registered their bank mandate at the time of making investment.</p> <p><b>Change in Existing Bank Mandate</b></p> <ul style="list-style-type: none"> <li>- Cancelled original cheque with first unitholder name and bank account number printed on the face of the cheque; OR</li> <li>- Original bank account statement or pass book; OR</li> <li>- Original letter issued by the Bank on the letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager; OR</li> <li>- In case such Bank account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account.</li> </ul> <p><b>Closure of Unit holder's Account</b></p> <p>Unit holders may note that the AMC at its sole discretion may close a unit holder's account after giving notice of 45 days, if at the time of any part repurchase, the value of units (represented by the units in the unit holder's account if such repurchase were to take place, valued at the applicable NAV related price), falls below the minimum investment/balance required for each scheme (or such other amount as the AMC may decide from time to time) or where the units are held by a unit holder in breach of any Regulation.</p>
Delay in payment of redemption / repurchase proceeds	The Asset Management Company shall be liable to pay interest to the unit holders at such rate as repurchase proceeds may be specified by SEBI for the period of such delay (presently @ 15% per annum).
The policy regarding reissue of repurchased units, including the	Presently the AMC does not intend to reissue the repurchased units. The trustee reserves the right to reissue the repurchased units at a later

maximum extent, the manner of reissue, the entity (the scheme(s) or the AMC) involved in the same.	date after issuing adequate public notices and taking approvals, if any, from SEBI.
Restriction on Third Party Payments for subscription of Mutual Fund Units and Registration of Multiple Bank Accounts	<p><b>Third Party Payments for subscription of Units</b></p> <p>Applications for subscription in Schemes of Principal Mutual Fund shall not be accepted when accompanied with *Third Party payments, except in the following situations:</p> <ul style="list-style-type: none"> <li>• Payment by Parents / Grand-Parents / related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding ₹ 50,000/- (each regular purchase or per SIP installment). However, this limit of ₹ 50,000/- will not be applicable for payments made by a Guardian whose name is registered in the records of Principal Mutual Fund for the concerning Folio;</li> <li>• Payment by Employer on behalf of employee under Systematic Investment Plan(s) through Payroll deductions;</li> <li>• Custodian on behalf of FII or a client.</li> <li>• Payment by AMC to a Distributor empanelled with it on account of commission/incentive etc. in the form of Mutual Fund Units of the Funds Managed by AMC through SIP or lumpsum/one time subscription.</li> </ul> <p>*Third Party Payment shall mean those payment made through instruments issued from an account other than that of the beneficiary investor. However, in case of payments from a joint bank account the first holder of the mutual fund folio should be one of the joint holders of the bank account from which payment is made.</p> <p>In case of exceptional situations stated above, following additional documents shall be mandatorily enclosed along with the Subscription application:</p> <p>a) KYC Acknowledgement Letter for Investor (Guardian in case of Minor) and the Person making the payment.</p> <p>b) “Third Party Declaration Form” from the Investor (Guardian in case of Minor) and the person making the payment, giving details of the bank account from which the payment is made and the relationship with the Beneficiary Investor(s). (Declaration Format shall be available at any of our Investor Service Centre or on <a href="http://www.principalindia.com">www.principalindia.com</a>)</p> <p>Investor along with the subscription application must provide the details of his pay-in bank account (i.e. account from which a subscription payment is made) and his pay-out bank account (i.e. account into which redemption / dividend proceeds are to be paid). Investor shall also have the facility to register multiple bank accounts as detailed in the section below on “Multiple Bank Accounts”. Only Pay-in from such registered bank accounts shall be treated as First party payments.</p> <p>Additionally, in case of following mode of payments below stated documents should be enclosed with the subscription application:</p> <p>a) <b>Pay Order, Demand Draft, Banker’s Cheque and the like:</b> Certificate from the Issuing Banker, stating the Account holder’s name and the Account number which has been debited for issue of such instrument.</p>

b) **Pay Order, Demand Draft, Banker's Cheque and the like issued against cash by the Bank [for an investment amount less than ₹50,000/- only]:** Certificate from the Banker giving name, address and PAN (if available) of the person who has requested for the demand draft.

c) **Payment vide RTGS, NEFT, ECS, Bank Transfer, etc:** copy of the instruction to the bank stating the account number debited must accompany the purchase application.

In such instance, where, post verification it is found that the payment, in any mode, is not made from a registered bank account or is made from an account where the first named unit holder is not an Account holder / one of the account holder in case of Joint Bank Account, the AMC/R&T, reserves the right to reject the transaction / subscription application, without any liability.

Additionally, in order to prevent fraudulent practices, Investors are urged to make the payment instruments (cheque / Demand draft / Pay Order etc.) favouring "XYZ Scheme A/c. First Investor Name" OR "XYZ Scheme A/c. Permanent Account Number" OR "XYZ Scheme A/c. Folio Number".

#### **Multiple Bank Accounts:**

Unitholders shall have the facility to register multiple bank accounts at folio level - upto a maximum of 5 Bank Accounts in case of Individual and HUF Investor and 10 Bank Accounts in case of Non Individual Investor. Such facility can be availed by submitting duly filled in "Multiple Bank Account Registration form" at the Investor Service Centre closest to you, along with copy of any one of the following documents:

a) cancelled cheque leaf of the bank account which has to be registered [the account number and name of the first unitholder should be printed on the cheque leaf];

b) Bank Statement / Pass Book with the account number, name of the Unitholder and Address;

c) Bank letter / certificate on its letter head certifying the account holder's name, account number and branch address [Such letter / certification should be certified by the Bank Manager with his / her full name, signature, employee code.]

**Investors should also present the Original of the above Document submitted along with the subscription application, and such original document shall be returned across the Counter post due verification**

Subsequent, to successful registration of multiple bank accounts, Investors can select any of the registered bank accounts in the application form for the purpose of subscriptions, redemption and dividend proceeds. Investor shall also have the option to register any one of their account as a default bank account for credit of redemption /dividend proceeds.

	<p>Further an Investor may also opt to delete a registered default bank account; however, such deletion of a default bank account shall be permitted only if the Investor registers another registered account as a default account and the same shall be in accordance with the procedure as stated in the section titled “change in bank mandate”.</p> <p>In the event of rejection of such registration application for any reason, the redemption / dividend proceeds shall be processed as per specified service standards and the last registered bank account information in the records of Registrar &amp; Transfer Agent - Karvy Computershare Private Limited, will be relied upon and used for such payments.</p> <p>It is clarified that in case of Change of Bank Account along with Redemption application submitted by the Investor, the redemption proceeds shall be credited to the said bank account only if it is a registered bank account in the records of R&amp;T.</p> <p>However, if the new bank account is not one of the registered bank accounts, the redemption proceeds shall be credited to such new bank account post completion of the cooling off period as prescribed by AMFI and within regulatory prescribed timelines.</p>
<p><b>Restrictions, if any, on the right to freely retain or dispose of units being offered.</b></p>	<p><b>RIGHT TO LIMIT REPURCHASES</b></p> <p>The AMC may, in the general interest of the unit holders of the Scheme(s), keeping in view the unforeseen circumstances/unsure conditions, limit the total number of units which may be repurchased on any Business Day to 15% (5% in case of Principal Emerging Bluechip Fund &amp; Principal Smart Equity Fund) of the total number of units of the Scheme(s) (or such higher percentage as the AMC may decide in any particular case). Any units which by virtue of these limitations are not repurchased on a particular Business Day will be carried forward for repurchase to the next Business Day, in order of receipt. Repurchases so carried forward will be priced on the basis of the Repurchase Price of the Business Day on which repurchase is made. Under such circumstances, to the extent multiple repurchase requests are received at the same time on a single Business Day, repurchase will be made on pro-rata basis, based on the size of each repurchase request, the balance amount being carried forward for repurchase to the next Business Day(s).</p> <p><b>POSSIBLE DEFERRAL OF REDEMPTION/ REPURCHASE REQUESTS</b></p> <p>Whilst every effort will be made to ensure that the Scheme(s) will have sufficient liquidity to enable the repurchase cheques to be collected/dispatched within the deadline stated in the foregoing clause, unit holders should note that where the Scheme(s) is obliged to arrange for the disposal of the underlying securities/borrow, in order to satisfy redemption/repurchase requests, unit holders may experience some delays in receiving repurchase cheques, reflecting the time involved in settling the underlying sales of securities/borrowing. However in any case, the Fund will ensure that the collection/dispatch of repurchase cheques is not delayed beyond ten working days (when Principal Mutual Fund is open for business) from the date of receipt of the repurchase request in accordance with Regulation 53(b) of the</p>

Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

#### **SUSPENSION OF SALE/REPURCHASE/SWITCH OPTIONS OF THE UNITS**

The Fund at its sole discretion reserves the right to withdraw sale, repurchase and/or switch of the units under the scheme(s), temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable. However, the suspension of sale/repurchase/switch either temporarily or indefinitely will be made applicable only after the approval of the Board of Directors of the AMC and Trustee. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.

The sale, repurchase and switch of the units may be temporarily suspended under any or all of the following conditions :

- Under uncertain conditions when the market (capital/stock/money etc. become extremely volatile and the AMC so decides in the best interest of the unit holders)
- If the stock/money markets stop functioning or trading is restricted
- Declaration of war or occurrence of insurrection, civil commotion or any other serious or sustained financial, political or industrial emergency or disturbance or any natural calamity
- In extreme cases or complete breakdown or dislocation of business in the financial markets.
- Breakdown in the means of communication used for the valuation of investments in the Scheme(s), without which the value of the securities held in the Scheme(s) cannot be accurately calculated.
- In the event of any force majeure or disaster that affects the normal functioning of the AMC or the ISC
- SEBI by order so permits
- During the period of Book Closure/Record Date
- On a requisition made by three-fourth's of the unit holders.
- If AMC views that enhancement in the size of the corpus further may prove detrimental to the existing unit holders of the Scheme(s).

### **C. PERIODIC DISCLOSURES**

#### **Net Asset Value**

This is the value per unit of the scheme(s) on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.

The Mutual Fund shall declare the Net asset value of the scheme(s) on every business day on AMFI's website [www.amfindia.com](http://www.amfindia.com) by 9.00 p.m. (*time limit for uploading NAV as per applicable guidelines*) and also on their website.

In case of delay, the reasons for such delay would be explained to AMFI in writing. NAVs would however be endeavoured to be made available before commencement of business hours of the following business day, failing which a press release explaining the material reasons for non-availability would be released. In the event NAV cannot be calculated and/or published because of suspension of trading on the BSE/NSE/RBI, during the existence of a state of emergency and/or a breakdown in communications, the AMC may suspend calculation and/or publication of NAV etc. of the units.

<b>Half yearly Disclosures: Portfolio / Financial Results</b>  This is a list of securities where the corpus the scheme is currently invested. The market value of these investments is also stated in the language of the region where the head office of the mutual fund is located.	The Mutual fund shall publish a complete statement of the scheme(s) portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located.  The mutual fund may opt to send the portfolio statement to all unit holders in lieu of the advertisement (if applicable).																	
<b>Half Yearly Results</b>	The fund shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated. In addition the Fund shall mail / email (if any e-mail address is provided with the consent of the unit holder) or publish the complete portfolio to the investors before the expiry of one month from 31st March and 30th September each year. These shall also be displayed on the website of the Mutual Fund and that of AMFI.																	
<b>Annual Report</b>	<p>A link to Annual Report or Abridged Summary of the Annual Report will be available on AMC's website <a href="http://www.principalindia.com">www.principalindia.com</a> and a link in this regard shall also be available on the website of AMFI i.e. <a href="http://www.amfiindia.com">www.amfiindia.com</a>. Annual Report / Abridged Annual Report shall be sent by way of an e-mail link to the Investor's registered e-mail address or physical copies (if investor's e-mail address is not registered), not later than four months after the close of each financial year.</p> <p>Such Unitholders who have mentioned their e-mail address will receive the Annual Report/Abridged Summary of Annual Report only by e-mail and not in physical copy. However, Investors who have mentioned their e-mail address but still wish to receive physical copy of the Annual Report, may do so by submitting written request at any of our OPT.</p> <p>Physical Copy(ies) of Annual Report will be available for inspection at the Head Office of the AMC at all times.</p>																	
<b>Associate Transactions</b>	Please refer to Statement of Additional Information (SAI).																	
<b>Taxation (updated with the amendments of Finance Bill' 2012)</b>  The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.	<b>For all Scheme(s) –</b> <table><tr><th>Particulars</th><th>Resident Investors</th><th>Mutual Funds</th></tr><tr><td>Tax on Distributed Income</td><td>Nil</td><td>Not subject to DDT</td></tr><tr><td colspan="3"><b>Capital Gain<sup>1</sup>&amp;** :</b></td></tr><tr><td>Long Term Capital Gain</td><td>Nil</td><td>Nil</td></tr><tr><td>Short Term Capital Gain</td><td>15% *</td><td>Nil</td></tr></table>			Particulars	Resident Investors	Mutual Funds	Tax on Distributed Income	Nil	Not subject to DDT	<b>Capital Gain<sup>1</sup>&amp;** :</b>			Long Term Capital Gain	Nil	Nil	Short Term Capital Gain	15% *	Nil
Particulars	Resident Investors	Mutual Funds																
Tax on Distributed Income	Nil	Not subject to DDT																
<b>Capital Gain<sup>1</sup>&amp;** :</b>																		
Long Term Capital Gain	Nil	Nil																
Short Term Capital Gain	15% *	Nil																

<sup>1</sup>Investors may be subject to Minimum Alternate Tax / Alternate Minimum Tax under section 115JB of the Act / Section 115JC (proposed by the Finance Bill,

2012) respectively.

\* Plus surcharge at the rate of 5% for a domestic company, if applicable, and Education Cess at the rate of 2% on income-tax and surcharge and Secondary and Higher Education Cess at the rate of 1% on income-tax and surcharge.

\*\* This chart is prepared on assumption that the investment in units of Mutual Fund would be characterised as capital assets in the hands of the unit holder.

Where the Fund receives any income from investments made in overseas jurisdiction, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received.

As the income of the fund is exempt from tax in India, credit / refund in respect of such foreign taxes may not be available in India.

Upon redemption of the units, securities transaction tax would be payable by the unitholders @ 0.25% of the redemption price.

For further details on taxation please refer to the clause on Taxation in the SAI.

*Applicable to Principal Smart Equity Fund if the same gets classified as 'Equity Oriented Fund' under the Act, on the date of 'declaration of dividend' by the Mutual fund or on the date of 'Transfer' as defined under the Income Tax, Act, 1961.*

For further details on taxation please refer to the clause on Taxation in the SAI.

***If Principal Smart Equity Fund does not gets classified as 'Equity Oriented Fund' under the Income Tax Act, 1961 ("the Act") on the date of 'declaration of dividend' by the Mutual fund or on the date of 'Transfer' as defined under the Act – updated with the amendments of Finance Bill'2012:***

Particulars	Resident Investors	Mutual Funds
Tax on Distributed Income	Nil	<b>Dividend Distribution Tax ('DDT')</b>  <b>Individual &amp; HUF</b> 13.5188% (12.50% plus 5% surcharge plus 3% education cess)  <b>Other than Individual &amp; HUF</b> 32.445% (30% plus 5% surcharge plus 3% education cess)
<b>Capital Gain<sup>1</sup> &amp; <sup>**</sup>:</b>		



	Long Term Capital Gains	10% * (without indexation) 20% * (with indexation)	Nil
	Short Term Capital Gains	Individual/HUF/AOP/BOI – Taxable as per the applicable slab rates*  Companies/Firms – 30%*	Nil
<p><sup>†</sup>Investors may be subject to Minimum Alternate Tax / Alternate Minimum Tax under section 115JB of the Act / Section 115JC (proposed by the Finance Bill, 2012) respectively.</p> <p>* Plus surcharge at the rate of 5% for a domestic company, if applicable and Education Cess at the rate of 2% on income-tax and surcharge and Secondary and Higher Education cess at the rate of 1% on income-tax and surcharge.</p> <p>** This chart is prepared on assumption that the investment in units of Mutual Fund would be characterised as capital assets in the hands of the unit holder.</p> <p>Where the Fund receives any income from investments made in overseas jurisdiction, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received.</p> <p>As the income of the fund is exempt from tax in India, credit / refund in respect of such foreign taxes may not be available in India.</p> <p>For further details on taxation please refer to the clause on Taxation in the SAI.</p>			
<b>Investor services</b>	<p>For any enquiries and/or queries or complaints in respect of any terms and conditions of/investments in the scheme(s), the investors are advised to address a suitable communication to AMC and marked to the attention of Head Customer Services - Mr. Hariharan Iyer at customer@principalindia.com. Written communications may also be forwarded to Principal Mutual Fund at Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra(East), Mumbai – 400 051 India alternatively faxed at +91 22 67720512.</p> <p>Our customer service executives can also be reached at the following contact:- 1800 425 5600</p>		

#### D. COMPUTATION OF NAV

The NAV of the Scheme(s) for each option at any time shall be determined by dividing the net assets of the Scheme(s) by the number of outstanding units on the valuation date.

<b>NAV per unit =</b> <b>(Market / Fair Value of Securities + Accrued Income + Receivables+ other assets+ Accrued Expenses – payables-other liabilities)</b>
<hr/> <b>No. of units outstanding of the scheme / option</b>



The NAV will be calculated up to two decimals (in case of Principal Index Fund upto four decimals). The NAVs will be declared on every Business Day by 9.00 p.m.

The computation of Net Asset Value, valuation of assets, computation of applicable Net Asset Value (related price) for repurchase, switch and their frequency of disclosure shall be based upon a formula in accordance with the Regulations and as amended from time to time including by way of Circulars, Press Releases, or Notifications issued by SEBI or the Government of India to regulate the activities and growth of Mutual Funds.

The dividend paid on units under the Dividend Option of the Fund shall be deducted in computing the NAV of the units under the Dividend Option, each time a dividend is declared and till it is distributed. Consequently, once the dividend is distributed, the NAV of the units will always remain lower than the NAV of the units under the Growth Option. The income earned and profits realized attributable to the units under the Growth Option shall remain invested and shall be deemed to have remained invested in the Growth Option (exclusive of the units under the Dividend Option) and would be reflected in the NAV of the units under the Growth Option.

The valuation of a Scheme's assets and calculation of a Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

## **SECTION V: FEES AND EXPENSES**

### **A. Annual Scheme Recurring Expenses**

The AMC has estimated the below mentioned expenses expressed as a percentage to the daily average net assets of the Scheme(s) which will be charged to the Scheme(s) as expenses. For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

The estimated expenses under the Scheme(s), is as per the table below:

<b>Name of the Scheme(s)</b>	<b>Principal Growth Fund, Principal Dividend Yield Fund, Principal Large Cap Fund, Principal Services Industries Fund, Principal Emerging Bluechip Fund, Principal Retail Equity Savings Fund and Principal Smart Equity Fund</b>	<b>Principal Index Fund</b>
<b>Nature of Expenses</b>	<b>% of average daily net assets</b>	<b>% of average daily net assets</b>
Investment Management and Advisory Fees	1.25	0.75
Trustee Fees	0.01	0.01
Custodian Fees/Depository Charges	0.10	0.01
Registrar and Transfer Agent Fees	0.11	0.11
Costs related to investor communications, costs of Fund transfer from one location to another, cost of providing account statements and dividend repurchase cheques and warrants, costs of statutory advertisements.	0.18	0.05
Marketing and Selling Expenses	0.75	0.55
Audit Fees	0.10	0.02
<b>Total Annual Recurring Expenses</b>	<b>2.50</b>	<b>1.5</b>

These estimates have been made in good faith by the AMC as per the information available to AMC – the investment manager, based on the past experience and are subject to change inter-se. The expenses may be more than as specified in the table above, but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI Regulations. Expenses over and above the

permissible limits will be borne by the AMC and/or the Trust and/ or the sponsor. The purpose of the above table is to assist the unitholder in understanding the various costs and expenses that a unitholder in the Scheme will bear directly or indirectly. Expenses over and above the limits prescribed under the SEBI Regulations shall be borne by the AMC.

In case of Principal Smart Equity Fund, a maximum of 2.25% of average daily net assets will be charged as recurring expenses per annum when the asset allocation to debt/money market exceeds 65%. This will be done observing the Debt/Money Market Component on each Friday or last working day of the week and accordingly the expenses will be charged next week.

As per the SEBI Regulations, the maximum recurring expenses including the investment management and advisory fee that can be charged to the Scheme(s), excluding Principal Index Fund, shall be subject to a percentage limit of Daily or Average Weekly net assets as given in the table below.

<b>First ₹100 Crs</b>	<b>Next ₹300 Crs</b>	<b>Next ₹300 Crs</b>	<b>Balance Assets</b>
2.50	2.25	2.00	1.75

As per the SEBI Regulations, the AMC is entitled to an Investment Management and Advisory fee at the rate of 1.25% per annum of the Weekly average net assets outstanding in each accounting year for the Scheme(s), as long as the net assets do not exceed ₹100 crore and 1.00% of the excess amount over ₹100 crore, where net assets so calculated exceed Rs. ₹100 crore.

**In case of Principal Index fund**, pursuant to in accordance with Regulation 52 of the SEBI(Mutual Funds) Regulations, 1996, the maximum recurring expenses including the Investment Management and Advisory Fees that can be charged to the Scheme shall not exceed one and one half percent (1.5%) of the daily average net assets of the Scheme and the investment management and advisory fees shall not exceed three –fourths of one percent (0.75%) of the daily average net assets of the Scheme

Subject to the SEBI Regulations and this Document, expenses over and above the prescribed ceiling will be borne by the AMC and/or by Sponsor and/or Trust. The Fund shall strive to reduce the level of these expenses so as to keep them well within the maximum limits currently allowed by SEBI and any revision in the said expenses limits by SEBI would be applicable.

## **B. Load Structure & Transaction Charges**

<b>TYPE OF LOAD:</b>	<b>LOAD CHARGEABLE (AS %AGE OF NAV)</b>
<b>Entry Load:</b>	<b>Nil</b>
<b>Exit Load:</b>	<p><b>For All Scheme(s) excluding Principal Index Fund &amp; Principal Smart Equity Fund :-</b> If redeemed on or before 1 year from the date of allotment – 1%</p> <p><b>For Principal Index Fund:-</b> Nil</p> <p><b>For Principal Smart Equity Fund:-</b>  From the date of allotment if redeemed any time – Upto 1 Year - 2.00% Upto 2 Years - 1.00%, After 2 Years - Nil</p> <p>Load on switches will be same as exit load applicable for the respective Scheme.</p>

In case if the date of redemption is a non- business day, the deemed redemption date will be the next business day.

In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 inter alia no entry load will be charged by the Fund with effect from August 01, 2009.

Upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN holder.

Further, with effect from August 01, 2009, exit load/ CDSC (if any) up to 1% of the redemption value charged to the unit holder by the Fund on redemption of units shall be retained by each of these scheme(s) in a separate account and will be utilized for payment of commissions to the ARN Holder and to meet other marketing and selling expenses. Any amount in excess of 1% of the redemption value charged to the unit holder as exit load/ CDSC shall be credited to the respective scheme immediately.

Load structure is variable and are subject to change from time to time, in alignment with provisions of the relevant SEBI Regulations/Guidelines. The investor is requested to check the prevailing load structure of the scheme(s) before investing. The same is also hosted/updated on the Principal website - [www.principalindia.com](http://www.principalindia.com) or an investor may call at (1800 425 5600) or his/her distributor.

Bonus Units and units issued on reinvestment of dividends shall not be subject to exit load.

Load on switch out will be same as exit load applicable to the respective schemes.

E.g. Repurchase Price = Applicable NAV (\*1- Exit Load, if any).

Therefore, the Repurchase Price would be Rs. ₹11.25 x (1-1.00% of ₹11.25) = ₹11.1375.

The AMC reserves the right to change/modify exit / switchover load / CDSC, depending upon the circumstances prevailing at any given time on the prospective investments as permissible under the SEBI Regulations.

The repurchase price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV. However, the difference between the repurchase price and sale price shall not exceed 7% on the sale price. However, any change at a later stage shall not affect the existing unit holders adversely.

The AMC reserves the right to change/modify exit/switchover load (including zero load), depending upon the circumstances prevailing at any given time. A load structure when introduced by the AMC may comprise of an exit load and/or switchover load as may be permissible under the SEBI Regulations. The load may also be changed from time to time and in the case of an exit load this may be linked to the period of holding. The switchover load may be different for different plans/options and the switchover load may be different from the exit load charged for sale and/or repurchase units. The load charged could also be different as regards the amount/tenor of investment, etc. However, any imposition/enhancement or change in load structure shall be applicable on prospective investment only. The addendum shall be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Documents and abridged Scheme Information Documents already in stock. The addendum will be circulated to unit holders along with/included in the newsletter sent to unit holders. Further arrangement will be made to make available the changes in the load structure in the form of a notice/any other manner in/at all the investor service centers/distributors/brokers office. Applicable load will be disclosed in the account statement/transaction confirmation statement. The introduction of the exit load/ CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC.

The Load, if levied, will be retained in the Scheme(s) in a separate account and used by the Fund/AMC to cover the cost of raising/redeeming units on a continuous basis by way of providing redemption/distribution related services to the Fund relating to the Sale, promotion, advertising and marketing of the units of the Scheme(s) and costs associated with liquidating the Fund's investment Securities, including payments for postage and also payments to brokers for their services in connection with the redemption/distribution of the units. Any surplus in this account may be credited to the scheme(s), whenever felt appropriate by the AMC

No exit load shall be chargeable on any transaction/s made by any "Fund of Funds Scheme/s" managed by Principal Pnb Asset Management Company Pvt. Ltd. or managed by any other Asset Management Company, in any of the existing schemes (or any scheme/s launched from time to time unless specified otherwise) of Principal Mutual Fund.

For any change in load structure AMC will issue an addendum detailing the changes and will display it on the website. A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.

The AMC may also:

- (i) Attach the Addendum to Scheme Information Documents and Key Information Memorandum or circulate the same to distributors/brokers so that the same can be attached to all Scheme Information Documents and key information memoranda already in stock.
- (ii) Arrange to display the addendum in the Scheme Information Document in the form of a notice in all the investor service centres and distributors/brokers office.
- (iii) Stamp Introduction of exit load/ CDSC alongwith the details in the acknowledgement slip issued to the investors on submission of the application form and may disclose it in the statement of accounts issued after the introduction of such load/CDSC.
- (iv) take other measures which it may feel necessary.

#### **Transaction Charges –**

In accordance with SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, Principal Pnb Asset Management Company Private Limited (PAMC) /Principal Mutual Fund(PMF) shall deduct Transaction Charges on purchase / subscription received from the Investors through Distributors/Agents (who have opted to receive the transaction charges) as under:

(i) **First Time Mutual Fund Investor (across Mutual Funds):** Transaction charge of ₹150/- for subscription of ₹10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the first time investor and the balance shall be invested.

First time investor in this regard shall mean an Investor who invests for the first time ever in any Mutual Fund either by way of Subscription or Systematic Investment Plan.

(ii) **Investor other than First Time Mutual Fund Investor:** Transaction charge of ₹100/- per subscription of ₹10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the investor and the balance shall be invested.

However, Transaction Charges in case of investments through Systematic Investment Plan (SIP) shall be deducted only if the total commitment (i.e. amount per SIP installment x No. of installments) amounts to ₹10,000/- or more. The Transaction Charges shall be deducted in 3-4 installments.

(iii) **Transaction charges shall not be deducted for:**

- purchases /subscriptions for an amount less than ₹10,000/-;
- transaction other than purchases/ subscriptions relating to new inflows such as Switch/ Systematic Transfer Plan/Sweep facility under the Dividend Option of the Scheme(s) etc.;
- purchases/subscriptions made directly with the Fund (i.e. not through any Distributor/Agent);
- transactions routed through Stock Exchange route.

Statement of Account issued to such Investors shall state the net investment as gross subscription less transaction charge and mention the number of units allotted against the net investment.

Further, in accordance with SEBI Circular No. SEBI/IMD/CIR/No.4/168230/09 dated June 30, 2009, upfront commission to Distributors/Agents shall continue to be paid by the Investor directly to the Distributor/Agent by a separate cheque based on his assessment of various factors including the service rendered by the Distributor/Agent.

#### **IV. RIGHTS OF UNIT HOLDERS**

Please refer to Statement of Additional Information for details.

#### **VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY.**

*This section shall contain the details of penalties, pending litigation, and action taken by SEBI and other regulatory and Govt. Agencies.*

1.	Penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.	Nil
2.	In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.	Nil
3.	Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.	Nil
4.	Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.	*As mentioned below
5.	Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.	Nil

\* There is a legal case filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to the purchase of certain shares at SBI Mutual Fund. These proceedings have been filed against several persons then engaged with SBI Mutual Fund, including Mr. Rajat Jain – Chief Investments Officer of the Applicant who was at that time engaged with SBI Mutual Fund. These proceedings are pending as on date and no orders so far have been passed.

**Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

## Offices of Principal Pnb Asset Management Company Private Limited Identified as Official Point of Acceptance / Investor Service Centres

• **Mumbai:** Exchange Plaza, 'B' wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 • **Ahmedabad:** 401, Broadway Business Centre, Opp. Samartheshwar Mahadev Temple, Law Garden Cross Road, Ellisbridge, Ahmedabad-380 006 • **Asansol:** Safe Savings, Street No.1, House No.2, Hindustan Park, Asansol - 713 304 • **Bangalore:** Sigma Trident, 11/2, 1st Floor, Hayes Road, Off. Richmond Road, Bangalore-560 025 • **Bhubaneswar:** Plot No: B-15, Arihant Plaza, 2nd Floor, Sahid Nagar, Bhubaneswar-751 007 • **Chandigarh:** SCO 455-56, 2nd Floor, Sector-35 C, Chandigarh-160 022 • **Chennai:** 305, Challamal Complex, 3rd Floor, 11 Thiyagaraya Road, Chennai-600 017 • **Cochin:** 2nd Flr., Mayur Business Center, Pullepady Junction, Chittor Road, Cochin-682 035 • **Goa\*:** C/o Advani Business Center, Neelkamal Arcade, CL -13, Atmaram Borkar Road, Panjim, Goa- 403 001 • **Hyderabad:** White House, 503, 5th Floor, Block No. 1, Begumpet, Hyderabad-500 016 • **Indore:** 222, 2nd Floor, City Center, 570, M.G. Road, Indore-452 001 • **Jaipur:** 305-B, 3rd Floor, Shyam Anukampa Complex, Ashok Marg, C-Scheme, Jaipur-302 001 • **Kanpur:** 118-119, Kan Chambers, Near Stock Exchange Building, 14/113 Civil Lines, Kanpur-208 001 • **Kolkata:** Block No. 503, SHUBHAM, 5th Floor, 1, Sarojini Naidu Sarani, Kolkata-700 017 • **Lucknow:** Sky Hi Chambers, S-205, 2nd Floor, 11/5, Park Road, Lucknow-226 001 • **New Delhi:** Alps Building, 1st Floor, 56 Janpath, New Delhi-110 001 • **Pune:** Unit No: 103 & 104, 1st Floor, Rainbow Plaza, Opp. Modern Highschool, Jangali Maharaj Road, Shivaji Nagar, Pune - 411 005 • **Surat:** 206 Jolly Plaza, Athwagate, Surat-395 001 • **Vadodara:** 103, Paradise Complex, Sayajigunj, Vadodara-390 005

\*Note: These locations are not Official Point of Acceptance.

## Centres of Karvy Computershare Private Limited (R&T to Principal Mutual Fund) which have been identified as Official Point of Acceptance:

• **Agra:** Deepak Wasan Plaza, Behind Holiday Inn, Opp. Megdoot Furnitures, Sanjay Place, Agra-282 002 • **Ahmedabad:** 201-202, Shail Buildings, Opp. Madhusudhan House, Off. C. G. Road, Nr. Navrangpura, Telephone Exchange, Ahmedabad-380 006 • **Ajmer:** 1, 2nd Floor, Ajmer Tower, Kutchary Road, Ajmer-305 001 • **Aligarh:** 1st Floor, Kumar Plaza, Aligarh-202 001 • **Allahabad:** RSA Towers, 2nd Floor, Above Sony TV Showroom, 57, S.P. Marg, Civil Lines, Allahabad-211 001 • **Amritsar:** 72-A, Taylor's Road, Aga Heritage Gandhi Ground, Amritsar-143 001 • **Anand:** F-6, Chitrangana Complex, Opp. Motikaka Chawl, V.V. Nagar, Anand-388 001 • **Aurangabad:** Shop No. 214/215, Tapadiya City Centre, Nirala Bazar, Aurangabad-431 001 • **Bangalore:** No. 51/25, 1st Floor, Surya Building, Ratna Avenue, Richmond Road, Bangalore-560 025 • **Bankura:** Ambika Market, Natunganj, Bankura-722 101 • **Bareilly:** 1st Floor, 165, Civil Lines, Opp. Hotel Bareilly Palace, Near Rly. Station Road, Bareilly-243 001 • **Belgaum:** Fk-1, Ambedkar Road, Opp. Civil Hospital, Belgaum-590 001 • **Bharuch:** Gr. Floor, Office No-6, Aditya Complex, Opp. Kasak Temple, Bharuch-392 001 • **Bhatinda:** 2048, 1st Floor, Opp. Canara Bank, The Mall Road, Bhatinda-151 001 • **Bhavnagar:** Surabhi Mall, 301, 3rd Floor, Waghawadi Road, Bhavnagar-364 001 • **Bhilai:** No.138, New Civic Centre, Bhilai-490 006 • **Bhopal:** Kay Kay Business Centre, 133, Zone 1, M.P. Nagar, Bhopal-462 011 • **Bhubaneswar:** Plot No- 104/105(P), Jaydev Vihar, Besides Hotel Pal Heights, Bhubaneswar-751 013 • **Bikaner:** 2nd Floor, Plot No 70 & 71, Panchshati Circle, Sardul Gunj Scheme, Bikaner-334 003 • **Bokaro:** B-1, 1st Floor, Near Sona Chandi Jewellers, City Centre, Sector-4, Bokaro Steel City, Bokaro-827 004 • **Burdwan:** 495, B.C. Road, Beside Proyojoni, Burdwan-713 101 • **Calicut:** 2nd Floor, Sowbhagya Shopping Complex, Mavoor Road, Calicut-673 004 • **Chandigarh:** SCO 371-372, 1st Floor, Above HDFC Bank, Sector 35-B, Chandigarh-160 022 • **Chennai:** Flat No. F11, 1st Floor, Akshya Plaza, Erstwhile Harris Road, Opp. Chief City Metropolitan Court, # 108, Adhithanar Salai, Egmore, Chennai-600 002 • **Cochin:** Building No. 39, Ali Arcade, 1st Floor, Near Atlantis Junction, Kizhvana Road, Panampili Nagar, Cochin-682 036 • **Coimbatore:** 29/1, 1st Floor, Chinthamani Nagar, Opp. Indian Overseas Bank, N.S.R. Road, Saibaba Colony, Coimbatore-641 011 • **Cuttack:** Dargha Bazar, Opp. Dargha Bazar Police Station, Buxibazar, Cuttack-753 001 • **Dalhousie:** 19, R.N. Mukherjee Road, 2nd Floor, Dalhousie, Kolkatta-700 001 • **Dehradun:** Kaulagarh Road, Near Sirmaur Marg, Above Reliance Webworld, Dehradun-248 001 • **Dhanbad:** 208, New Market, 2nd Floor, Katras Road, Bank More, Dhanbad-826 001 • **Durgapur:** Old Dutta Automobiles Building, 1st Floor, Nachan Road, Benachity, Durgapur-713 213 • **Erode:** No. 4, KMY Salai, Veerappan Traders Complex, Opp. Erode Bus Stand, Sathy Road, Erode-638 003 • **Faridabad:** A-2B, 1st Floor, Nehru Ground, Neelam Bata Road, Nit, Faridabad-121 001 • **Ghaziabad:** 1st Floor, C-7, Lohia Nagar, Ghaziabad-201 001 • **Gorakhpur:** Above V.I.P. House, Ajdacent A.D. Girls Inter College, Bank Road, Gorakhpur-273 001 • **Gurgaon:** Shop No. 18, Gr. Floor, Sector-14, Opp. AKD Tower, Near Huda Office, Gurgaon-122 001 • **Guwahati:** 54 Sagarika Bhawan, R. G. Baruah Road, Guwahati-781 024 • **Gwalior:** Shindi Ki Chawani, Nadi Gate Pul, M.L.B. Road, Gwalior-474 001 • **Hubli:** 8 & 9, Upper Gr. Floor, C Block, Akshaya Park, Gokul Road, Hubli-580 029 • **Hyderabad:** 8-2-596 Karvy Plaza, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 • **Indore:** G-7, Royal Ratan Building, M.G. Road, Opp. Kotak Mahindra Bank, Indore-452 001 • **Jabalpur:** 43, Naya Bazar, Opp. Shyam Talkies, Jabalpur (M.P.)-482 001 • **Jaipur:** S-16 A, 3rd Floor, Land mark, Opposite Jaipur Club, Mahavir



Marg, C-Scheme, Jaipur-302 001 • **Jalandhar:** Lower Gr. Floor, Office No. 3, Arora Prime Tower, Plot No : 28, G.T. Road, Jalandhar-144 004 • **Jalgaon:** 148, Navi Peth, Opp. Vijaya Bank, Near Bharat Dudhalay, Jalgaon-425 001 • **Jammu:** 29 D/C, Green Belt Park, Near Service Selection Commission Office, Gandhi Nagar, Jammu-180 004 • **Jamnagar:** 108 Madhav Plaza, Opp. SBI Bank, Near Lal Bangalow, Jamnagar-361 001 • **Jamshedpur:** Kanchan Tower, 3rd Floor, Chhaganlal Dayalji & Sons, 3-S B Shop Area, Main Road, Bistupur, Jamshedpur-831 001 • **Jodhpur:** 203, Modi Arcade, Chupasni Road, Jodhpur-342 001 • **Junagadh:** 124/125, Punit Shopping Center, Ranavat Chowk, Junagadh-362 001 • **Kanpur:** 15/46, Opp. Muir Mills, Civil Lines, Kanpur-208 001 • **Kolkata:** 166A, Rash Behari Avenue, Kolkata-700029 • **Kolhapur:** 610-A, A.K. Vardhaman Chambers, 2nd Lane, Shahupuri, Kolhapur-416 001 • **Kota:** H.No. 29, First Floor, Near Lala Lajpat Rai Circle, Shopping Centre, Kota-324 007 • **Kottayam:** 1st Floor, CSI Ascension Church Complex, Kottayam-686 001 • **Lucknow:** Usha Sadan, 24, Prem Nagar, Ashok Marg, Lucknow - 226 001. • **Ludhiana:** SCO-3, Bawa Building, Feroze Gandhi Market, Ludhiana-141 001 • **Madurai:** Rakesh Towers, 30-C, Bye Pass Road, 1st Floor, Opp. Nagappa Motors, Madurai-625 010 • **Malda:** Sahistuli Under Ward No. 6, English Bazar, Municipality, No. 1 Govt. Colony, Malda-732 101 • **Mangalore:** Mahendra Arcade, Gr. Floor, Karangalapani, Kodialbail, Managalore-575 003 • **Meerut:** 1st Floor, Medi Centre Complex, Opp. ICICI Bank, Hapur Road, Meerut-250 002 • **Mehsana:** U L 47 Apollo Enclave, Opp. Simandhar Temple, Modhera Cross Road, Mehsana - 384 002. • **Moradabad:** Om Arcade, Parker Road, Above Syndicate Bank, Tari Khana Chowk, Moradabad-244 001 • **Mumbai:** Fort: Office No. 01/04, 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Behind Bombay Stock Exchange, Fort, Mumbai-400001 • **Borivali:** Gr. Floor, Himanshu Bldg., Sodawala Lane, Chandawarkar Road, Borivali (West), Mumbai-400 092. • **Thane:** 1st Floor, Jeevan Chaya Bldg, Near Adidas Show Room, Ram Maruti Road, Thane (W)-400 601 • **Muzaffarpur:** 1st Floor, Uma Market, Near Thana Gumti, Motijheel, Muzaffarpur, Bihar-842 001 • **Mysore:** L-350, Silver Tower, Clock Tower, Ashoka Road, Mysore-570 001 • **Nadiad:** 105 GF City Point, Near Paras Cinema, Nadiad-387 001 • **Nagpur:** Sadoday Arcade, Above Top N Town, Dharampeth, Nagpur - 440 001 • **Nasik:** S-12, 2nd Floor, Suyojit Sankul, Sharanpur Road, Nasik-422 002 • **Navsari:** 1st Floor, Chinmay Arcade, Opp. Sattapir, Tower Road, Navsari-396 445 • **New Delhi:** 2E / 23, Jhandewalan Extn., New Delhi-110 055 • **Noida:** 307 Jaipuria Plaza, D-68-A, 2nd Floor, Opp. Delhi Public School, Sector 26, Noida-201 301 • **Panipat:** 1st Floor, Krishna Tower, Near HDFC Bank, Opp. Railway Road, G.T. Road, Panipat-132 103 • **Panjim:** City Business Centre, Coelho Pereira Building, Room Nos. 18, 19 and 20, Dada Vaidya Road, Panjim-403 001 • **Patiala:** SCO 27-D, Chhoti Baradari, Patiala-147 001 • **Patna:** 3A, 3rd Floor, Anand Tower, Beside Chankya Cinema Hall, Exhibition Road, Patna-800 001 • **Pondicherry:** 1st Floor, No.7, Thiayagaraja Street, Pondicherry-605 001 • **Pune:** Shop No. 16, 17 & 18, Gr. Floor, Shreenath Plaza, Dnayneshwar Paduka Chowk, F.C.Road, Pune-411 004 • **Raipur:** Room No: TF-31, 3rd Floor, Millennium Plaza, Behind Indian Coffee House, G.E Road, Raipur-492 001. • **Rajkot:** 104, Siddhi Vinayak Complex, Dr. Yagnik Road, Opp. Ramkrishna Ashram, Rajkot-360 001 • **Ranchi:** Commerce Towers, 3rd Floor, Room No. 307, Beside Mahabir Towers, Main Road, Ranchi-834 001 • **Rourkela:** 1st Floor, Sandhu Complex, Kanchery Road, Udit Nagar, Rourkela-769 012 • **Salem:** 49 / 50, Fort Main Road Old No.17, 1st Floor, Shevapet, Salem-636 002 • **Shillong:** Mani Bhawan, Thana Road, Lower Police Bazar, Shillong-739 001 • **Shimla:** Triveni Building, By Pas Chowk, Khallini, Shimla-171 002 • **Siliguri:** Nanak Complex, Near Church Road, Sevoke Road, Siliguri-734 401 • **Surat:** G-16, Empire State Building, Nr. Udhna Darwaja, Ring Road, Surat-395 009 • **Tirunelveli:** Jeney Building, 55/18, S. N. Road, Near Arvind Eye Hospital, Tirunelveli-627 001 • **Trichur:** 2'nd Floor, Brother's Complex, Near Dhana Laxmi Bank Head Office, Naikkanal Junction, Trichur-680 001 • **Trichy:** 60 Srikrishna Arcade, 1st Floor, Thennur High Road, Trichy-621 017 • **Trivandrum:** 2nd Floor, Akshaya Towers, Sasthamangalam, Trivandrum-695 010 • **Udaipur:** 201-202, Madhav Chambers, Opp. G. P. O., Chetak Circle, Madhuban, Udaipur-313 001 • **Vadodara:** Piccadilly, Office # 5, 1st Floor, Opp. Adani Super Market, Jetalpur Road, Vadodara-390 007 • **Valsad:** Shop No. 2, Phiroza Corner, ICICI Bank Char Rasta, Tithal Road, Valsad-396 001 • **Vapi:** Shop No. 5, Phikhaji Residency, Opp. DCB Bank, Vapi Silvassa Road, Vapi-396 195 • **Varanasi:** D-64/132, KA, 1st Floor, Anant Complex, Sagra, Varanasi-221 001 • **Vellore:** No.1, M.N.R. Arcade, Officer's Line, Krishna Nagar, Vellore-632 001 • **Vijayawada:** 39-10-7 Opp. Municipal Water Tank, Labbipet, Vijayawada-520 010 • **Visakhapatnam:** 47-14-5/1 Eswar Paradise, Dwaraka Nagar, Main Road, Visakhapatnam-530 016 • **Warangal:** 5-6-95, 1st Floor, Opp. B.Ed Collage, Lashkar Bazar, Chandra Complex, Hanmakonda, Warangal-500 601.

*In addition to above, for Principal Large Cap Fund and Principal Emerging Bluechip Fund all Eligible Brokers/Clearing Members/Depository Participants as defined in the SID will be considered as the Official Point of Acceptance for the transactions preferred through the MFSS.*

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**Name, Address and Website of Registrar:**

**Karvy Computershare Pvt. Ltd. (Unit: Principal Mutual Fund),** 'Madhura Estates', Municipal No.1-9/13/C, Plot No.13 & 13-C, Survey No.74 & 75, Madhapur Village, Ranga Reddy District, Hyderabad-500 081.

• Tel.: (040) 2331 2454. • [www.karvycomputershare.com](http://www.karvycomputershare.com)

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## SCHEME INFORMATION DOCUMENT

Principal Personal Tax Saver Fund	<b>Open Ended Equity Linked Savings Schemes</b>
Principal Tax Savings Fund	

**Continuous Offer for Units at NAV based Prices (subject to applicable load)**

<b>Name of Mutual Fund</b>	Principal Mutual Fund
<b>Name of Asset Management Company</b>	Principal Pnb Asset Management Company Private Limited
<b>Name of Trustee Company</b>	Principal Trustee Company Private Limited

**Addresses, Website of the Entities:**

<b>Principal Mutual Fund</b>	<b>Address:</b> Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 <b>Website:</b> <a href="http://www.principalindia.com">www.principalindia.com</a> <b>Email:</b> <a href="mailto:customer@principalindia.com">customer@principalindia.com</a> <b>Toll Free No.:</b> 1800 425 5600 <b>Fax No. –</b> (022) 67720512
<b>Principal Pnb Asset Management Company Private Limited</b>	
<b>Principal Trustee Company Private Limited</b>	

The particulars of the Scheme(s) have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from Principal Pnb Asset Management Company Pvt. Ltd. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme(s) that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Principal Mutual Fund, Tax and Legal issues and general information on [www.principalindia.com](http://www.principalindia.com).

SAI is incorporated by reference and is legally a part of the Scheme Information Document. For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated May 18, 2012.



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## Section I- Highlights / Summary of the Scheme(s)

Name of Scheme(s)/Plan(s)	Principal Personal Tax Saver Fund	Principal Tax Savings Fund
<b>Investment Objective</b>	To provide long term growth of capital. The Investment Manager will aim to achieve a return on assets in excess of the performance of BSE 100 Index.	To build a high quality growth-oriented portfolio to provide long-term capital gains to the investors. The scheme aims at providing returns through capital appreciation.
<b>Liquidity</b>	<p>Unitholders can subscribe to and get their units repurchased after expiry of lock-in period on all business days at NAV related prices.</p> <p>Units issued under the scheme will be locked-in for a period of three years from the date of allotment.</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p>	<p>Unitholders can subscribe to and get their units repurchased after expiry of lock-in period on all business days at NAV related prices.</p> <p>Units issued under the scheme will be locked-in for a period of three years from the date of allotment.</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p> <p><i>[Note: Effective 3.00 p.m. of September 2, 2011, till further notice, fresh sale of units of the Scheme (by way of purchase or switch-ins /registration of SIPs) has been suspended. However, redemptions including switch out / STP / SWP etc. can be made at NAV based prices]</i></p>
<b>Benchmark</b>	BSE 100 Index	BSE 200 Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV of the scheme(s) will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (www.principalindia.com) and on the website of Association of Mutual Funds in India - AMFI (www.amfiindia.com) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, that is March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also</p>	

	be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.																			
<b>Loads (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)</b>	<b>Entry Load:</b> Not Applicable  <b>Exit Load:</b> Nil	<b>Entry Load:</b> Not Applicable  <b>Exit Load:</b> Nil																		
<b>Minimum Application Amount</b>	<p>Minimum application amount will be ₹500/- and any amount thereafter.</p> <p>Subsequent investment amount shall be ₹500/- and any amount thereafter.</p> <p>Systematic Investment Plan /Systematic Transfer Plan (post lock in period) / Systematic Withdrawal Plan (post lock in period): Minimum 6 installments of ₹500/- each.</p>	<p>Minimum application amount will be ₹500/- and any amount thereafter.</p> <p>Subsequent investment amount shall be ₹500/- and any amount thereafter.</p> <p>Systematic Investment Plan/Systematic Transfer Plan (post lock in period) / Systematic Withdrawal Plan (post lock in period): Minimum 6 installments of ₹500/- each.</p> <p><i>[Note: Effective 3.00 p.m. of September 2, 2011, till further notice, fresh sale of units of the Scheme (by way of purchase or switch-ins /registration of SIPs) has been suspended. However, redemptions including switch out/STP/SWP etc. can be made at NAV based prices]</i></p>																		
<b>Minimum Repurchase/Redemption Amount</b>	₹500/- or 50 units	₹500/- or 50 units																		
<b>Investment Plans (s) / Option(s)</b>	There are no investment plans or options.	There are no investment plans or options.																		
<b>Asset Allocation Pattern</b>	<p>Under normal circumstances, the asset allocation would be as follows:</p> <table border="1"> <thead> <tr> <th>Types of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr> </thead> <tbody> <tr> <td>Equity and Equity Linked Instruments</td><td>Not less than 80%</td><td>High</td></tr> <tr> <td>Debt securities (*Including Securitised Debt) and Money market instruments</td><td>Up to 20%</td><td>Low to Medium</td></tr> </tbody> </table> <p>The Scheme may invest up to 50% of the net assets of the Scheme in derivatives</p> <p>*Investment in Securitised Debt may be up to 20% of the net assets of the Scheme.</p>	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Equity and Equity Linked Instruments	Not less than 80%	High	Debt securities (*Including Securitised Debt) and Money market instruments	Up to 20%	Low to Medium	<p>Under normal circumstances, the asset allocation would be as follows:</p> <table border="1"> <thead> <tr> <th>Types of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr> </thead> <tbody> <tr> <td>Equity and Equity Linked Instruments</td><td>Not less than 80%</td><td>High</td></tr> <tr> <td>Debt securities (*including securitised debt) and Money market instruments</td><td>Upto 20%</td><td>Low to Medium</td></tr> </tbody> </table> <p>The Scheme may invest up to 50% of the net assets of the Scheme in derivatives.</p>	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Equity and Equity Linked Instruments	Not less than 80%	High	Debt securities (*including securitised debt) and Money market instruments	Upto 20%	Low to Medium
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Debt securities (*including securitised debt) and Money market instruments	Upto 20%	Low to Medium																		

	<p>The AMC further reserves the right to invest in foreign securities and derivatives subject to SEBI/RBI or any other Regulatory Authorities permitted from time to time.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 40% of its total net assets of the Scheme in Stock Lending.</p>	<p>*Investment in Securitised Debt may be up to 20% of the net assets of the Scheme.</p> <p>The AMC further reserves the right to invest in foreign securities and derivatives subject to SEBI/RBI or any other Regulatory Authorities permitted from time to time.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p>
<b>Investment Strategy</b>	<p>The strategy will be to allocate the assets of the Scheme between permissible securities in line with the portfolio profile described above, with the objective of achieving capital appreciation. The actual percentage of investment in various securities will be decided by the Fund Manager(s) within the limits specified in the Investment Pattern after considering the macroeconomic conditions including the prevailing political conditions, the economic environment (including interest rates and inflation) and to adhere to the need for a diversified portfolio in accordance with the applicable guidelines. The Fund Managers will follow an active investment strategy depending on the market situation and opportunities available at various points of time.</p>	<p>The scheme will invest its assets in a portfolio of equity and equity related instruments. The focus of the investment strategy would be to identify stocks which can provide capital appreciation in the long term. The aim will be to build a diversified portfolio across major industries and economic sectors by using “fundamental analysis” as its selection process.</p>
<b>Fund Manager</b>	Mr. Anupam Tiwari	Mr. P.V.K. Mohan
<b>Date of Inception</b>	March 31, 1996	
<b>Income Tax Benefit</b>	<p>The Scheme is an Equity Linked Savings Scheme and intends to meet the requirements of other notifications / regulations that may be prescribed by the Government / Regulatory Bodies from time to time. Specified Investors can invest and claim benefit by investing in the units of the Scheme, subject to a maximum of ₹1,00,000/- under and in terms of Section 80(C)(2) of the Income Tax Act, 1961.</p> <p>Following category of investors who are entitled to claim income tax benefit under section 80(C) (2) of the Income Tax Act, 1961 by investing in the units of the scheme:</p> <p>(i) an individual; or  (ii) a Hindu undivided family, and  (iii) such others as may be specified by the prevailing provisions of Income Tax Act, 1961 including any amendment thereof/thereto.</p>	

## SECTION II. INTRODUCTION

### A. RISK FACTORS

#### *Standard Risk Factors:*

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.

- As the price / value / interest rates of the securities in which the scheme(s) invests fluctuate, the value of your investment in the Scheme(s) may go up or down. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme(s).
- Principal Personal Tax Saver Fund and Principal Tax Savings Fund are only the names of the scheme(s) and do not in any manner indicate either the quality of the scheme(s) or its future prospects and returns.
- The sponsor or any of its associates including co-settlors are not responsible or liable for any loss resulting from the operation of the scheme(s) beyond the initial contribution of ₹25 lakhs made towards setting up the Fund.
- The present scheme(s) are not a guaranteed or assured return scheme(s).

### **Specific Risk Factors:**

#### **Risk Associated with Investing in Equities –**

- The value of Scheme's investments may be affected by factors affecting the Securities markets and price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies if the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the NAV of the units of the Scheme(s) may be affected.
- Equity & Equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the Scheme(s) may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme(s) to make intended securities purchases due to settlement problems could cause the Scheme(s) to miss certain investment opportunities. Similarly, the inability to sell securities held in the Schemes' portfolio may result, at times, in potential losses to the Scheme(s), should there be a subsequent decline in the value of securities held in the Schemes' portfolio.
- The liquidity and valuation of the Schemes' investments due to the holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.
- Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options.
- The liquidity of the scheme(s) are inherently restricted by trading volumes in securities in which it invests.
- Investment decisions made by the Investment Manager may not always be profitable.

#### **Risk Associated with Investing in Debt and / or Money Market Instruments-**

**Price-Risk or Interest-Rate Risk:** Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

**Credit Risk:** In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme(s) has invested in Government Securities, there is no credit risk to that extent.

**Re-investment Risk:** Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

**Interest Rate Movement (Basis Risk):** The changes in the prevailing rates of interest will likely affect the value of the Schemes' holdings until the next reset date and thus the value of the Schemes' Units will be affected. Increased rates

of interest, which frequently accompany inflation and/ or a growing economy, are likely to have a negative effect on the value of the Units. The value of securities held by the Scheme(s) generally will vary inversely with changes in prevailing interest rates. The fund could be exposed to the interest rate risk (i) to the extent of time gap in resetting of the benchmark rates, and (ii) to the extent the benchmark index fails to capture the interest rate movement.

***Prepayments and Charge Offs Risk:*** In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).

***Spread Risk:*** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However depending upon the market conditions the spreads may move adversely or favorably leading to fluctuation in NAV.

### **Risks associated with Investing in Foreign Securities**

Subject to necessary approvals and within the investment objectives, the Scheme(s) may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances.

It is the AMC's belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multimarket and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme(s). Since the Scheme(s) would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated under the Regulations or by RBI from time to time. The Scheme may invest in ADR/GDR/Foreign Securities and / or other securities as may be permissible and described in SEBI Circular Reference No. SEBI/IMD/CIR NO. 7/104753/07 dated September 26, 2007 as may be amended from time to time, within the overall applicable limits and within the scheme(s) specific asset allocation pattern.

Overseas investments will be made subject to any/all approvals, conditions thereof as may be stipulated under the Regulations or by RBI and provided such investments do not result in expenses to the Scheme(s) in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The Fund may, where necessary, may appoint other intermediaries of repute as advisors, custodian/sub custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

To the extent that the assets of the Scheme(s) will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

### **Risks associated with Investing in Derivatives**

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The AMC may use various derivative products, as permitted by SEBI and the RBI from time to time, in an attempt to optimize the value of the portfolio and enhance Unit holder's interest/value of the Scheme(s). As and when the Scheme(s) trades in the derivatives market, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with

stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. The Scheme(s) bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme(s). Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate in line with underlying assets, rates and indices.

Also, the market for derivative instruments is relatively nascent in India and does not have the volumes which may be seen in other developed markets, which may result in volatility to the values. Derivatives require the maintenance of adequate controls to monitor the transactions and the embedded market risks that a derivative adds to the portfolio. Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives.

Other risks in using derivatives include but are not limited to:

(a) **Credit Risk** – this occurs when a counterparty defaults on a transaction before settlement and therefore, the Scheme(s) is compelled to negotiate with another counter party, at the then prevailing (possibly unfavorable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides a guaranteed settlement but one takes the performance risk on the exchange.

(b) **Market Liquidity risk** – this occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.

(c) **Model Risk** - this is risk of mis-pricing or improper valuation of derivatives.

d) **Basis Risk** – This risk arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

Trading in derivatives carry a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. The Scheme(s) may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme(s) may face a liquidity issue.

Interest Rate Swaps (IRS) are highly specialized instruments that require investment technique and risk analysis different from those associated with equity shares and other traditional securities. The use of a IRS requires not only an understanding of the referenced asset, reference rate, or index but also of the swap itself, without the benefit of observing the performance of the swap under all possible market conditions. Swap agreements are also subject to liquidity risk, which exists when a particular swap is difficult to purchase or sell. Swap agreements may be subject to pricing risk, which exists when a particular swap becomes extraordinarily expensive (or cheap) relative to historical prices or the prices of corresponding cash market instruments. IRS agreements are also subject to counterparty risk on account of insolvency or bankruptcy or failure of the counterparty to make required payments or otherwise comply with the terms of the agreement.

### **Risks associated with investing in Securitised Debt**

The Scheme(s) may invest in domestic securitised debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). Asset Backed Securities (ABS) are securitised debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage Backed Securities (MBS) are securitised debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/ MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

At present in Indian market, following types of loans are securitised:

- Auto Loans (cars / commercial vehicles / two wheelers)
- Residential Mortgages or Housing Loans
- Consumer Durable Loans
- Personal Loans
- Corporate Loans

The main risks pertaining to each of the asset classes above are described below:

#### **Auto Loans (cars / commercial vehicles /two wheelers)**

The underlying assets (cars, commercial vehicles, two wheelers etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk. i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual. Commercial vehicle loans are susceptible to the cyclical nature in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

#### **Housing Loans**

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

#### **Consumer Durable Loans**

The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

#### **Personal Loans**

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money.

#### **Corporate Loans**

These are loans given to single or multiple corporates. The receivables from a pool of loans to corporates are assigned to a trust that issues Pass through certificates in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend of economic cycles.

#### **Further, all the above categories of loans have the following common risks:**

All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans. In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

#### **Risks associated with Short Selling and Securities Lending**

- **Short selling:**



Short-selling is the sale of shares that the seller does not own at the time of trading. Instead, he borrows it from someone who already owns it. Later, the short seller buys back the stock he shorted and returns the stock to close out the loan. If the price of the stock has fallen, he can buy the stock back for less than he received for selling it and profits from it (the difference between higher short sale price and the lower purchase price). However, Short positions carry the risk of losing money and these losses may grow theoretically unlimited if the price increases without limit and shall result into major losses in the portfolio. In addition, the short selling will also have the risk of inability to borrow the securities by the seller. Then, it might be possible that the short seller will be required to purchase the securities sold short to cover the short even if the price of the security is higher at the time of the short sale.

If a stock starts to rise and a large number of short sellers try to cover their positions at the same time, it can quickly drive up the price even further. This phenomenon is known as a short squeeze. This might result in major losses in the portfolio.

- **Securities Lending :**

It may be noted that Securities Lending activity would have the inherent probability of collateral value drastically falling in times of strong downward market trends or due to it being comprised of tainted/forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and /or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the Scheme(s). Besides, there can also be temporary illiquidity of the securities that are lent out and the Scheme(s) may not be able to sell such lent out securities.

**Risk factors specific to Principal Personal Tax Saver Fund and Principal Tax Savings Fund**

<b>Principal Personal Tax Saver Fund</b>	<b>Principal Tax Savings Fund</b>
Prices of equity securities rise and fall in response to a number of factors including events that impact entire financial markets or industries (for example, changes in inflation or consumer demand) as well as events impacting a particular issuer (for example, news about the success or failure of a new product). The Securities purchased by the Scheme present greater opportunities for growth because of high potential earnings growth, but may also involve greater risks than securities that do not have the same potential. The Scheme may invest in companies with limited product lines, markets or financial resources. As a result, these securities may change in value more than those of larger, more established companies. As the value of the securities owned by the Scheme changes, the Scheme unit price changes. In the short-term, the price can fluctuate dramatically. As with all Mutual Funds, as the value of the scheme's assets rise and fall, the Scheme unit price changes. If the units are redeemed when their value is less than the price paid for, money may be lost by the unitholder.	Prices of equity securities rise and fall in response to a number of factors including events that impact entire financial markets or industries (for example, changes in inflation or consumer demand) as well as events impacting a particular issuer (for example, news about the success or failure of a new product). The Securities purchased by the Scheme present greater opportunities for growth because of high potential earnings growth, but may also involve greater risks than securities that do not have the same potential. The Scheme may invest in companies with limited product lines, markets or financial resources. As a result, these securities may change in value more than those of larger, more established companies. As the value of the securities owned by the Scheme changes, the Scheme unit price changes. In the short-term, the price can fluctuate dramatically. As with all Mutual Funds, as the value of the scheme's assets rise and fall, the Scheme unit price changes. If the units are redeemed when their value is less than the price paid for, money may be lost by the unitholder.

**B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME(S)**

The Scheme(s) shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme(s). The two conditions mentioned above shall be complied in each calendar quarter, on an average basis, as specified by SEBI. In case the Scheme(s) does not have a minimum of 20 investors, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme(s) shall be wound up and the units would be redeemed at applicable NAV. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be

allowed and thereafter the investor who is in breach of the rule shall be given 15 day's notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

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### C. SPECIAL CONSIDERATIONS

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Investment in the Scheme(s) should be viewed by an investor/unit holder as a medium to long term investment as mutual funds carry normal market risks and there can be no assurance and no guarantee that the Scheme(s) will achieve its objective. It is recommended that an investment in the Scheme(s) should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all, as investment decisions made by the AMC will not always be profitable or prove to have been correct. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the schemes of Principal Mutual Fund, the Sponsor or its Group affiliates is not indicative of and does not guarantee the future performance of the scheme(s). The name of the Scheme(s) does not in any manner indicate the quality of the Scheme(s), its future prospects or the returns. The Scheme(s) is not intended as a complete investment program. Investors, therefore, are urged to study the terms of this offer carefully and consult their Investment Advisor before they invest in the Scheme(s). Investors'/unit holders' attention is drawn to the risk factors set out in the beginning of this Scheme Information Document and also to the following specific risks:

**Regulatory Risks:** Neither this SID nor the Units have been registered in any jurisdiction. The distribution of this SID in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this SID are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of this SID or any accompanying application form in such jurisdiction may treat this SID or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this SID does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this SID and any persons wishing to apply for Units pursuant to this SID to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

Prospective investors should review/study this SID along with SAI carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/investment matters and are advised to consult their own professional advisor(s) as to the legal or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale, transfer, switch or redemption or conversion into money) of Units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (sale, transfer, switch or redemption or conversion into money) of Units within their jurisdiction/of nationality, residence, domicile etc. or under the laws of any jurisdiction to which they or any managed Funds to be used to purchase/gift Units are subject, and (also) to determine possible legal, tax, financial or other consequences of subscribing/gifting to, purchasing or holding Units before making an application for Units.

No person has been authorized to give any information or to make any representations not confirmed in this SID in connection with the Offer of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the AMC or the Trustee. Statements made in this SID are based on the law and practice currently in force in India and are subject to change therein. Neither the delivery of this SID nor any sale made hereunder shall, under any circumstances, create any impression that the information herein is correct as of any time subsequent to the date hereof.

**Performance Risk:** The value of (and income from) an investment in the Scheme(s) can decrease as well as increase, depending on a variety of factors, which may affect the values and income generated by a Scheme's portfolio of securities. The returns of a Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, changes in government and Reserve Bank of India policy, taxation, political, economic or other developments and closure of the stock exchanges. Investors should understand that the

investment composition indicated for the Scheme(s), in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there can be no assurance that the Scheme's investment objective will be attained nor will the Scheme(s) be in a position to maintain the model percentage of investment pattern/composition particularly under exceptional circumstances such that the interest of the unit holders are protected.

The AMC will endeavor to invest in highly researched growth companies, however the growth associated with equities is generally high as also the erosion in the value of the investments/portfolio in the case of the capital markets passing through a bearish phase is a distinct possibility. Changes in the prevailing rates of interest are likely to affect the value of the Scheme(s) investments and thus the value of the Scheme's Units. The value of money market/debt instruments held by the Scheme(s) generally will vary inversely with the changes in prevailing interest rates. The AMC, while investing in fixed income instruments like debt, etc., shall consider and evaluate the risk of an issuer's ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity (market risk). While it is the intent of the AMC to invest primarily in more highly rated debt securities and highly researched growth companies, the Scheme(s) may from time to time invest in high yielding/growth, lower rated and/or privately placed/unlisted/securitised securities. Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than highly rated securities. The credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon, deferred interest bonds.

**Techniques Risk:** The Scheme(s) may use techniques (including derivatives, futures and options, warrants, etc.) and instruments that may be permitted and/or that may become permissible under SEBI/RBI Regulations and/or Regulations and/or statutory modification or re-enactment thereof for efficient portfolio management and to attempt to hedge or reduce the risk of such fluctuation. However, these techniques and instruments, if imperfectly used have the risk of the scheme(s) incurring losses due to mismatches particularly in a volatile market. The Fund's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any). The use of these techniques is dependent on the ability to predict movements in the prices of securities being hedged and movements in interest rates. There exists an imperfect correlation between the hedging instruments and the securities or market sectors being hedged. Besides, the fact that skills needed to use these instruments are different from those needed to select the Fund's/Scheme's securities. There is a possible absence of a liquid market for any particular instrument at any particular time even though the futures and options may be bought and sold on an organized stock exchange. The use of these techniques involves possible impediments to effective portfolio management or the ability to meet repurchase/redemption requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations.

**Political Risk:** Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved the removal of trade barriers and other protectionist measures, which could adversely affect the value of investments. It is possible that future changes in the Indian political situation, including political, social, or economic instability, diplomatic developments and changes in laws or regulations could have an effect on the value of investments. Expropriation, confiscatory taxation, or other relevant developments could also affect the value of investments.

**Forex Risk:** The scheme(s) may also invest in overseas financial assets in accordance with the guidelines issued by the concerned regulatory authorities in India. To the extent that the assets of the Scheme(s) will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distribution and income may be adversely affected by changes in the value of respective foreign currencies relative to the Indian rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration and bi-lateral conflict leading to immobilisation of the overseas financial assets.

**Liquidity and Settlement Risks:** The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme(s) will invest in certain securities of certain companies, industries, sectors etc. based on certain investment parameters as adopted internally by AMC. While at all times the Trustees and the AMC will endeavor that excessive holding/investment in certain securities of industries, sectors, etc. by the Scheme(s) be avoided, the assets invested by the Scheme(s) in certain securities of industries, sectors, etc. may acquire a substantial portion of the Scheme's investment portfolio and collectively may constitute a risk associated with non-diversification and thus could affect the value of investments. The Scheme(s) may have difficulty in disposing of certain securities because the security may be unlisted, due to

greater price fluctuations there may be a thin trading market, different settlement periods and transfer procedures for a particular security at any given time. Settlement if accomplished through physical delivery of stock certificates is labour and paper intensive and may affect the liquidity. It should be noted that the Fund bears the risk of purchasing fraudulent or tainted papers. The secondary market for money market/debt securities does exist, but is generally not as liquid as the secondary market for other securities. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event, such as the deterioration in the creditworthiness of the issuer, etc. or during restructuring of the Scheme's investment portfolio. Furthermore, from time to time, the AMC, the Custodian, the Registrar, any Associate, any distributor, dealer, any company, corporate body, trust, any scheme/Mutual Fund managed by the AMC or by any other AMC may invest in the Scheme(s). While at all times the Trustees and the AMC will endeavor that excessive holding of Units in the Scheme(s) among a few unit holders is avoided, however, the amounts invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unit holder in the Scheme(s). Accordingly, redemption of Units held by such persons may have an adverse impact on the value of the redemption and may impact the ability of the unit holders to redeem their respective Units.

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#### **D. ABBREVIATION & DEFINITIONS**

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**ADRs and GDRs :** American Depository Receipts (ADR) are negotiable certificates issued to represent a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. dollars. Global Depository Receipts (GDRs) are negotiable certificates held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.

**AMC/Asset Management Company/Investment Manager/Principal:** Principal Pnb Asset Management Company Private Limited

**Applicable NAV:** The NAV applicable for subscription / redemption/ switch in or switch out based on the time of the business day on which the application is accepted.

**Business Day :** A day other than :

- (i) Saturday and Sunday;
- (ii) a day on which the Banks in Mumbai and/or RBI are closed for business/ clearing;
- (iii) a day on which the Bombay Stock Exchange Limited and/or National Stock Exchange of India Limited are closed;
- (iv) a day on which sale and repurchase of units is suspended by the AMC;
- (v) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc.

Notwithstanding the above, the AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres.

**Calendar Year / Year:** A Calendar Year shall be full English Calendar months viz. 12 months commencing from 1st January and ending on 31st December.

**CBLO:** Collateralized Borrowing and Lending Obligations is a Money Market Instruments approved by RBI, (developed by Clearing Corporation of India Limited). CBLO is a discounted instrument issued in an electronic book entry form for maturity ranging from one day to one year

**Co-Settlers:** Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank, the co-settlers to the Principal Mutual Fund.

**Credit Risk:** Risk of default in payment of principal or interest or both.

**Custodian:** An entity (for the time being Citi Bank NA) appointed for holding the securities and other assets of the Fund.

**CDSC:** Contingent Deferred Sales Charge permitted under the Regulations to be borne by the Unit Holder upon exiting (whether by way of redemption or Inter-scheme switching) based on the amount of investment (if applicable) and period of holding of Units.

**Central Depository Services (India) Limited (CDSL)/ National Securities Depository Limited (NSDL):** A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.

**Day:** Any day (including Saturday, Sunday and holiday) as per English Calendar viz 365 days in a year.

**Debt Instruments :** Government securities, corporate debentures, bonds, promissory notes, money market instruments, pass-through obligations, asset backed securities/securitised debt and other possible similar securities.

**Dematerialisation:** It is a process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investors account with its Depository Participant.

**Depository :** Depository as defined in the Depository Act, 1996 (22 of 1996).

**Depository Participant :** A person registered as participant under sub section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 and who acts like an intermediary between the Depository and the investors to offer depository related services.

**Dividend :** Income distributed by the Mutual Fund on the units.

**ELSS :** Equity Linked Savings Scheme

**Entry Load :** Load on sale/switch in of units.

**Equity Related Instruments:** Equity related instruments include convertible debentures, bonds, warrants, ADRs / GDRs and equity derivatives and other possible similar securities.

**Exit Load :** Load on repurchase/switch out of units.

**FII(s) :** Foreign Institutional Investor(s), registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995.

**Financial Year :** A Financial Year shall be full English Calendar months viz. 12 months commencing from 1st April and ending on 31st March.

**Fund/Mutual Fund :** Principal Mutual Fund, a trust set up under the provisions of the Indian Trust Act, 1882 and registered with SEBI bearing Registration No. MF/019/94/0 dated December 13, 1994.

**Fixed Income Securities :** Debt Securities created and issued by, inter alia, Central Government, State Government, Local Authorities, Municipal Corporations, PSUs, Public Companies, Private Companies, Bodies Corporate, Unincorporated Special Purpose Vehicles (SPVs) and any other entities which may be recognised/permitted which yield at fixed or variable rate by way of interest, premium, discount or a combination of any of them.

**Gilts/Government Securities :** As defined under Section 2(b) of the Securities Contract (Regulation) Act, 1956, Government Security means a security created and issued, whether before or after the commencement of the Act, by the Central Government and/or a State Government and having one of the forms specified in clause (2) of Section 2 of the Public Debt Act, 1944 (18 of 1944) including any amendments thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time; Treasury Bills, such other instruments as may be declared by Government of India and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in the securities.

**GOI :** Government of India.

**Group :** As defined in clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).

**IISL :** India Index Services & Products Limited

**Investment Management Agreement/IMA :** Investment Management Agreement dated 25/11/94 as amended from time to time, between the Trustee and AMC.

**ISC / Investor Service Centre:** Offices of AMC and such other centres / offices as may be designated by the AMC from time to time as its Investor Service Centre. It shall also include the Official Points of Acceptance as mentioned on the last / back cover page of this SID.

**Load :** A sum of money deducted from the value received or paid to the unitholder towards Sale/Repurchase of units.

**MFSS:** Mutual Fund Service System (MFSS) is an online order collection system provided by NSE to its eligible brokers for placing subscription or redemption orders on MFSS, based on orders received from the investors

**Money Market Instruments:** Includes Commercial Papers, Commercial Bills, Treasury Bills, Government securities having an unexpired maturity up to one year Call or Notice Money, Certificate of Deposit, Usance Bill and any other like instrument as specified by RBI from time to time.

**NAV:** Net Asset Value of the units of the Scheme calculated in the manner provided in this Scheme Information Document by dividing the net assets by the number of outstanding units (on any valuation day) or as may be prescribed by the SEBI Regulations from time to time. The NAV will be computed upto two decimal places.

**Net Assets :** Net Assets of the Scheme at any time shall be the total value of the Schemes' assets, less its liabilities taking into consideration the accruals and the provision.

**NFO:** New Fund Offer.

**Non Resident/NRI :** Non resident is any person who is not a resident in India.

**NSE :** National Stock Exchange of India Limited

**Official Points of Acceptance / Transactions (OPT):** Offices as specified by AMC from time to time where application for subscription / redemption will be accepted on an ongoing basis.

**OCB :** Overseas Corporate Bodies, partnership firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by non-resident individuals of Indian nationality or origin, as also an overseas trust in which at least 60% of the beneficial interest is irrevocably held by such persons.

**Person of Indian Origin :** A person (not being a citizen of Pakistan or Bangladesh or Sri Lanka) shall be deemed to be of Indian origin, if

- i) He (She), at any time, held an Indian Passport;
- ii) He (She) or either of his (her) parents or any of his (her) grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
- iii) The person is the spouse of an Indian citizen or of a person of Indian origin (not being a citizen of Pakistan or Bangladesh or Sri Lanka).

**Permissible Investments or Investments :** Collective or group investments made on account of the unitholders of the scheme(s) in Securities and other assets in accordance with the SEBI/RBI Regulations and amendments thereto.

**Portfolio :** Portfolio at any time shall include all Permissible Investments and Cash.

**RBI :** Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.

**Registrars/Registrar and Transfer Agent :** Registrar for the time being of the Mutual Fund which, at present, is Karvy Computershare Pvt. Ltd., or such agency appointed by the AMC.

**Regulations :** Regulations imply SEBI Regulations and the relevant rules and provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996; Public Debt Act, 1944; The Income Tax Act, 1961; Wealth Tax Act, 1957; the Foreign Exchange Management Act, 1999, the Indian Trusts Act, 1882 as

amended from time to time and shall also include any Circulars, Press releases or Notifications that may be issued by SEBI or the Government of India or the Reserve Bank of India.

**Repo/Reverse Repo :** Sale/Purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.

**Repurchase/Redemption :** The units of the Scheme(s) which will be bought back by the Fund on an ongoing basis, subsequent to the expiry of the applicable lock in period.

**Resident :** A resident means any person resident in India under the Foreign Exchange Management Act, and under the Income Tax Act, 1961 including amendments thereto from time to time.

**SAI :** Statement of Additional Information of Principal Mutual Fund

**Sale/ Subscription:** The units of the scheme(s) which will be offered for sale to the unit holders on an ongoing basis.

*[Note: In case of Principal Tax Savings Fund, effective 3.00 p.m. of September 2, 201, till further notice, fresh sale of units of the Scheme (by way of purchase or switch-ins /registration of SIPs) has been suspended. However, redemptions including switch out/STP/SWP etc. can be made at NAV based prices]*

**Schemes/Plans:** Would mean Principal Personal Tax Saver Fund and Principal Tax Savings Fund.

**Scheme Information Document/SID:** This document issued by Principal Mutual Fund, inviting to subscribe to the units of the schemes of the Mutual Fund.

**SEBI:** Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992, as amended from time to time.

**SEBI Regulations/Mutual Fund Regulations:** The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, or such other Regulation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time for regulating Mutual Funds in India, by SEBI.

**Securities:** As defined under Section 2(h) of the Securities Contracts (Regulations) Act, 1956 of India and includes but without limitation shares, scrips, stocks etc., Debt instruments like notes bonds, debentures, debenture stock, warrants, etc., futures, options, derivatives etc. or other transferable securities of a like nature in or of any incorporated company or other body corporate, Gilts/Government securities, Mutual Fund units, Money Market Instruments like Call Deposit, Commercial Paper, Treasury Bills etc. such other instruments as may be declared by GOI and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in securities, mortgage/Asset backed securities, securitized receivable auto loans etc.

**Sponsor:** Principal Financial Services Inc., USA acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited.

**Switch:** Transfer of units of one Scheme of Principal Mutual Fund to another Scheme of Principal Mutual Fund. Valid applications for “switch out” shall be treated as redemptions and for “switch in” shall be treated as purchases and the cut-off timings shall be applicable, accordingly.

**Systematic Investment Plan(s):** A plan enabling the investors to systematically save and invest in the Scheme on monthly/quarterly (such other defined periodicity) basis by submitting post dated cheques / payment instructions

**Systematic Transfer/Switch Plan(s):** A Plan enabling the investors to transfer sums on a monthly, quarterly, semi-annually or annual basis from the Schemes to the other Schemes of the Mutual Fund existing or launched in future from time to time, by giving a simple instruction.

**Systematic Withdrawal Plan(s):** A Plan enabling the investors to withdraw amounts from the Scheme on a monthly, quarterly, semi-annually or annual basis by giving a simple instruction.

**Tax Act :** Income Tax Act, 1961 and Wealth Tax Act 1957 or such other legislation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/rules, regulations any clarification and guidelines issued from time to time by the GOI.

**Total Assets:** Total Assets of the Scheme(s) at any time shall be the total value of the Scheme's assets, taking into consideration the accruals.

**Trust Deed:** The Trust Deed of the Mutual Fund dated November 25, 1994, made by and between the Sponsor and the Trustee as amended from time to time or any replacement or substitution thereof.

**Trustee :** Principal Trustee Company Private Limited incorporated under the Companies Act, 1956.

**Unitholder :** A unitholder means an individual/non individual holding units in the Scheme(s).

**Units :** Undivided Share of a unitholder in the assets of the Scheme (and of the option(s), if any) as evidenced by any letter/advice or any other statement/ certificate/instrument.

### **Interpretation**

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- ♦ The terms defined in this Scheme Information Document include the plural as well as the singular.
- ♦ Pronouns having a masculine or feminine gender shall be deemed to include the other.
- ♦ Reference to 'Scheme'/'Scheme(s)' would mean and include all the Schemes under this Scheme Information Document unless specified otherwise.

In this Scheme Information Document, all references to "dollars" or "\$" refers to United States dollars, and "₹" refers to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".

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## **E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

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### **DUE DILIGENCE CERTIFICATE**

It is confirmed that:

1. the Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time;
2. all legal requirements connected with the launching of the Scheme(s) as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
3. the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the scheme.
4. the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

For **Principal Pnb Asset Management Company Private Limited**

Sd/-

**Sujata Punjabi**

**Head – Legal & Compliance**

Date: May 18, 2012

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## **SECTION III. INFORMATION ABOUT THE SCHEME(S)**

### **A. TYPE OF THE SCHEME(S)**

Open ended Equity Linked Savings Scheme(s)

### **B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME(S)?**



<b>Principal Personal Tax Saver Fund</b>	<b>Principal Tax Savings Fund</b>
To provide long term growth of capital. The Investment Manager will aim to achieve a return on assets in excess of the performance of BSE 100 Index.	To build a high quality growth-oriented portfolio to provide long-term capital gains to the investors. The scheme aims at providing returns through capital appreciation.

### C. HOW WILL THE SCHEME(S) ALLOCATE ITS ASSETS?

Principal Personal Tax Saver Fund		
Under normal circumstances, the asset allocation would be as follows:		
Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile
Equity and Equity Linked Instruments	Not less than 80%	High
Debt securities (*Including Securitised Debt) and Money market instruments	Up to 20%	Low to Medium
The Scheme may invest up to 50% of the net assets of the Scheme in derivatives		
* Investment in Securitised Debt may be up to 20% of the net assets of the Scheme.		
The AMC further reserves the right to invest in foreign securities and derivatives subject to SEBI/RBI or any other Regulatory Authorities permitted from time to time.		
Subject to the SEBI Regulations, the Mutual Fund may deploy upto 40% of its total net assets of the Scheme in Stock Lending.		

Principal Tax Savings Fund		
Under normal circumstances, the asset allocation would be as follows:		
Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile
Equity and Equity Linked Instruments	Not less than 80%	High
Debt securities (*including securitised debt) and Money market instruments	Upto 20%	Low to Medium
The Scheme may invest upto 50% of the net assets of the Scheme in derivatives.		
* Investment in Securitised Debt may be up to 20% of the net assets of the Scheme.		
The AMC further reserves the right to invest in foreign securities and derivatives subject to SEBI/RBI or any other Regulatory Authorities permitted from time to time.		
Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.		

The Scheme(s) may also invest a part of its assets in financial derivatives such as options and futures that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time and would be done in accordance with the relevant guidelines to be issued by SEBI and other authorities. The Scheme(s) may also invest a part of its assets in overseas markets in American Depository Receipts (ADRs), Global Depository Receipts (GDRs), overseas Equity, Bonds, Mutual Funds and the like instruments. Such investments would be made as and when approvals for the same are received from appropriate authorities and proportion of moneys to be so invested within the investment composition would also be decided by the AMC at the appropriate time.

There is no assurance that the objective of the Scheme(s) may be achieved. Subject to SEBI Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. Percentages stated above are only indicative and not absolute. These proportions may vary substantially depending upon the perception of the AMC, the intention being at all times to seek to protect the NAV of the Scheme(s) and interests of the Unit holders. Such changes in the investment pattern will be for short term and only for defensive considerations.

Any change in the investment composition of the Scheme(s) and amounting to a change in the fundamental attributes of the Scheme(s) will be in accordance with sub regulation 15A of regulation 18 of SEBI Regulations.

Short-term surpluses, pending deployment can be deployed in the inter-bank call money market, repurchase obligations (repos) or short term corporate papers. The Scheme(s) may also invest a part of its assets in financial derivatives such as options and futures that are permitted or may become permissible under SEBI/RBI Regulations.

### **STOCK LENDING BY THE MUTUAL FUND**

To augment revenue generation the Scheme(s), may lend the securities held by it to eligible brokers, dealers, financial institutions through approved intermediaries, in amounts up to 50% (in case of Principal Personal Tax Saver Fund such limit would be 40%) of its total net assets at the time of lending, in accordance with the terms of the Securities Lending Scheme announced by SEBI. The Fund may enter into an agreement with the approved intermediary for depositing the securities for the purpose of lending through the approved intermediary on satisfactory terms as to security.

The Scheme(s) would limit its exposure, with regard to securities lending, for a single intermediary, to the extent of 10% of the total net assets of the Scheme(s) at the time of lending. Where an intermediary is National Securities Clearing Corporation Ltd (NSCCL) such exposure limit would be up to 50% (in case of Principal Personal Tax Saver Fund such limit would be 40%) of the total net assets of the Scheme.

Collateral must be obtained by the approved intermediary for the lending transactions and this collateral must exceed in value of the Securities lent. The collateral can be in the form of cash, bank guarantee, government securities, certificate of deposits or other securities as may be agreed upon with the approved intermediary. It should be noted that any default/delay by the parties to return the securities lent to them may have an adverse impact on the net assets (and consequently the performance) of the scheme(s).

### **INVESTMENT PROCESS**

There is separate team for investment in fixed income instruments & equities. The team works under the supervision of Chief Investment Officer (CIO). CIO is overall in charge for the Fund's investment.

The Investment Manager will carry out the daily investment activities within the framework of SEBI guidelines in accordance with the investment objective as per the Scheme Information Document. The Board of AMC and Trustee will review the performance of the Scheme(s) in comparison to corresponding schemes of other mutual funds with similar investment objective and asset profile generally. The performance of the Scheme(s) will be compared with benchmark. The AMC has been recording investment decisions since the receipt of instructions from SEBI.

#### **Review by Board of AMC and Trustees**

A detailed review of the schemes of the Fund including its performance vis-à-vis benchmark index, assets size, rankings/ratings received, if any is placed before the Board of Directors of AMC and to the Trustee on a quarterly basis.

### **D. WHERE WILL THE SCHEME(S) INVEST?**

- a) The funds collected under the Scheme(s) will be invested in equities, cumulative convertible preference shares and fully convertible debentures and bonds of companies. Investments may also be made in partly convertible issues of debentures and bonds including those issued on a rights basis subject to the condition that, as far as possible, the non-convertible portion of the debentures so acquired or subscribed, shall be disinvested within a period of 12 months.
- b) It shall be ensured that funds will remain invested to the extent of at least 80% in securities specified in clause (a) in order to protect the interest of the Unitholders, in exceptional circumstances, this requirement may be dispensed with.
- c) Pending investment of funds in the above required manner, the Investment Manager may invest the funds in short term money market instruments or other liquid instruments or both.

- d) The Investment Manager may hold up to 20% of the net assets of the Scheme(s) in debt securities and money market instruments and other liquid instruments to enable the Scheme(s) to redeem investment of those unitholders who would seek to tender the units for repurchase after the lock in period of three years has been completed, as permitted by Regulations.
- e) Investments from the Scheme(s) corpus will only be in transferable securities.
- f) Investment in money market instruments and other liquid instruments will be made in accordance with the prevailing SEBI guidelines for money market operations for mutual funds and in general as permitted by the Regulations.
- g) The Scheme(s) may also consider investment in other securities and financial instruments as may be permitted by the Central Government and SEBI for ELSS funds from time to time.
- h) The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity.
- i) The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, right offers or negotiated deals. Securities shall be purchased in public offerings, primary/ reissues/ Open Market Operations (OMO) auctions / OMO sales, private placement, right offers, negotiated deals or any other mode of investment made available in the market from time to time.
- j) At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme(s) will participate in Inter Bank Calls only when Mutual Funds are permitted to do so.
- k) The Scheme(s) may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.
- l) The Asset Management Company further reserves the right to invest in derivatives and foreign securities subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time.

### **Depository**

The Securities of the Scheme(s) will be held in dematerialized form and accordingly the rules of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, would apply. The service charges payable to the Depository Participant will form a part of the annual recurring expenses.

### **E. WHAT ARE THE INVESTMENT STRATEGIES?**

The scheme(s) will invest its assets in a portfolio of equity and equity related instruments. The focus of the investment strategy would be to identify stocks which can provide capital appreciation in the long term. The aim will be to build a diversified portfolio across major industries and economic sectors by using “fundamental analysis” as its selection process.

The three basic steps of fundamental analysis are:

- 1) **Research** - consideration of economic prospects over the next one to two years rather than focusing on near term expectations. This approach is designed to provide insight into a company’s real growth potential.
- 2) **Valuation** - use of the research to allow the Investment Manager to identify segments of the market for investment. The Investment Manager would consider various factors including sustainable, superior earnings growth and above average or accelerating rates of growth.
- 3) **Securities selection** - The Investment Manager would buy and sell securities using its research and valuation as the basis. It attempts to identify the individual issuers that it considers to have high growth potential, that are market share leaders and/ or have high quality management with consistent track records and solid balance sheets.

### **RISK CONTROL**

**I. Risk mitigation factors for investments associated with equities:**

1. Focused risk management with an endeavour to ensure adequate safeguards for controlling risks during portfolio construction.
2. Reducing risks through portfolio diversification, taking care however not to dilute returns of the scheme(s).
3. Use derivatives and hedging products as permitted as RBI/SEBI to protect the value of portfolio.
4. Implement exposure limits which may be varied from time to time, restricting the exposure to any industry (as defined in AMFI industry classification) as a percentage of the portfolio at any point of time.
5. Portfolio shall be maintained in such a manner so as to provide necessary liquidity (after considering inflows and redemptions).
6. Due diligence of a company so as to minimize stock specific risks.

**II. Risk mitigation factors for investments associated with Debt and/or Money Market Instruments:**

1. Rigorous in-depth credit evaluation of the securities proposed to be invested focusing on analysis of fundamentals of the company, company's financials and the quality of management.
2. Use derivatives and hedging products to protect the value of portfolio.
3. To invest over a range of companies, groups as well as industries in accordance with SEBI Regulations with an endeavour to reduce risk using diversification.
4. Having appropriate portfolio turnover to meet cash flow requirements, adjustments relating to average maturity of the assets held, change or an anticipated change in the credit worthiness of the investee companies.
5. Control credit risk by investing in rated papers of the companies having strong fundamentals, sound financial strength and superior quality of management.
6. Reduce Liquidity Risk by investing in CBLO and other such similar short term highly liquid instruments.

**Trading in Derivatives**

The Scheme(s) may take derivatives position based on the opportunities available subject to the guidelines provided by SEBI from time to time and in line with the overall investment objective of the Scheme(s). The Scheme shall not take leveraged positions and total investments, including investments in Debt and other securities and gross exposure to Derivatives, if any, shall not exceed net assets under management of the Scheme.

SEBI has vide its Circulars inter alia, DNPd/Cir-29/2005 dated September 14, 2005 and DNPd/Cir-30/2006 dated January 20, 2006 and CIR/IMD/DF/11/2010 dated August 18, 2010 specified the guidelines pertaining to trading by Mutual Fund in Exchange traded derivatives and SEBI Circular DNPd/Cir-31/2006 dated September 22, 2006 modifying the position limits for Index derivative contracts.

A derivative is an instrument whose value is derived from the value of one or more of the underlying assets which can be commodities, precious metals, bonds, currency, etc. Common examples of Derivative instruments are Interest Rate Swaps, Forward Rate Agreements, Futures, Options, etc.

In case of equity derivatives, the Scheme(s) may transact in exchange traded equity derivatives only and these instruments may take the form of Index Futures, Index Options, Futures and Options on individual equities/securities and such other derivative instruments as may be appropriate and permitted under the SEBI Regulations and guidelines from time to time.

Derivative positions taken would be guided by the following principles:

**Exposure to Equity Derivatives**

The net derivatives position in the Scheme(s) may be up to the limit as set forth in the asset allocation pattern of the Scheme(s), subject to the following regulatory limits:

**i. Position limit for the Mutual Fund in index options contracts:**

- a. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be ₹500 crore or 15% of the total open interest in the market in index options, whichever is higher, per Stock Exchange.
- b. This limit would be applicable on open positions in all options contracts on a particular underlying index.

**ii. Position limit for the Mutual Fund in index futures contracts:**

- a. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be ₹500 crore or 15% of the total open interest in the market in index futures, whichever is higher, per Stock Exchange.
- b. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

**iii. Additional position limit for hedging:**

In addition to the position limits at point (i) and (ii) above, Fund may take exposure in equity index derivatives subject to the following limits:

- a. Short positions in index derivatives (short futures and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
- b. Long positions in index derivatives (long futures and long calls) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

**iv. Position limit for the Mutual Fund for stock based derivative contracts:**

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts:

- a. For stocks having applicable market-wise position limit (MWPL) of ₹500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or ₹ 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or ₹ 150 crores, whichever is lower.
- b. For stocks having applicable market-wise position limit (MWPL) less than ₹ 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or ₹ 50 crore whichever is lower.

**v. Position limit for the Scheme(s):**

The position limits for the Scheme(s) and disclosure requirements are as follows:

- a. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a Fund shall not exceed the higher of 1% of free float market capitalization (in terms of number of shares).  
Or  
5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).
- b. This position limit shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.
- c. For index based contracts, the Mutual Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

As and when SEBI notifies amended limits in position limits for exchange traded derivative contracts in future, the aforesaid position limits, to the extent relevant, shall be read as if they were substituted with the SEBI amended limits.

The Scheme(s) may purchase call and put options in securities in which it invests and on securities indices. Through the sale and purchase of futures contracts the Fund would seek to hedge against a decline in securities owned by the Fund or an increase in the prices of securities which the Fund plans to purchase. The Fund would sell futures

contracts on securities indices in anticipation of a fall in stock prices, to offset a decline in the value of its equity portfolio. When this type of hedging is successful, the futures contract increase in value while the Fund's investment portfolio declines in value and thereby keep the Fund's net asset value from declining as much as it otherwise would. Similarly, when the Fund is not fully invested, and an increase in the price of equities is expected, the Fund would purchase futures contracts to gain rapid market exposure that may partially or entirely offset increase in the cost of the equity securities it intends to purchase. In certain cases the Fund might invest in futures contracts as against underlying cash stocks for reasons of liquidity and lower impact costs.

## **Stock and Index Futures**

### **Hedging against an anticipated rise in equity prices:-**

The scheme has a corpus of ₹100 crores and has cash of ₹15 crores available to invest. The Fund may buy index/stock futures of a value of ₹15 crores. The scheme may reduce the exposure to the future contract by taking an offsetting position as investments are made in the equities; the scheme wants to invest in. Here, if the market rises, the scheme gains by having invested in the index futures.

### **Hedging against anticipated fall in equity prices:-**

If the Fund has a negative view on the market and would not like to sell stocks as the market might be weak, the scheme of the Fund can go short on index/stock futures. Later, the scheme can unwind the future positions. A short position in the future would offset the long position in the underlying stocks and this can curtail potential loss in the portfolio. The Fund's successful use of futures contracts is subject to the Fund Manager's ability to predict correctly the market factor affecting the market value of the Fund's portfolio securities. For example if a Fund is hedged against a fall in the securities using a short position in index futures, and the market instead rises, the Fund loses part or all of the benefit of the increase in securities prices on account of the offset losses in index futures. Imperfect co-relation between the price movements in the securities index on the one hand and the stocks held by the Fund or the futures contracts itself on the other hand may result in trading losses. The Fund may not be able to close an open futures position due to insufficient liquidity in the futures market. Under such circumstances, the Fund would be required to make daily cash payments of variation margin in the event of adverse price movements. If the Fund has insufficient cash, the Fund may be required to sell portfolio securities to meet daily variation margin requirement at a time when it may be disadvantageous to do so.

A hedge is designed to offset a loss on a portfolio with a gain in the hedge position. At the same time, however, a properly correlated hedge will result in a gain in the portfolio position being offset by a loss in the hedge position. As a result the use of derivatives could limit any potential gain from an increase in value of the position hedged. In addition, an exposure to derivatives in excess of the hedging requirement can lead to losses.

## **Stock and Index Options:**

Option contracts are of two types - Call and Put; the former being the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date and the latter being the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date. The price at which the shares are contracted to be purchased or sold is called the strike price. Options that can be exercised on or before the expiration date are called American Options, while those that can be exercised only on the expiration date are called European Options. In India, all individual stock options are American Options, whereas all index options are European Options. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

### **Example for Options:**

**Buying a Call Option:** Let us assume that the Fund buys a call option of XYZ Ltd. with strike price of ₹1000/-, at a premium of ₹25/-. If the market price of ABC Ltd on the expiration date is more than ₹1000/-, the option will be exercised. The Fund will earn profits once the share price crosses ₹1025/- (Strike Price + Premium i.e. 1000+25). Suppose the price of the stock is ₹1100/-, the option will be exercised and the Fund will buy 1 share of XYZ Ltd. from the seller of the option at ₹1000/- and sell it in the market at ₹1100/-, making a profit of ₹75/-. In another scenario, if on the expiration date the stock price falls below ₹1000/-, say it touches ₹900/-, the Fund will choose

not to exercise the option. In this case the Fund loses the premium (₹25/-), which will be the profit earned by the seller of the call option.

**Buying a Put Option.** Let us assume the Fund owns the shares of XYZ Ltd, which is trading at ₹500/-. The fund wishes to hedge this position in the short-term as it perceives some downside to the stock in the short-term. It can buy a Put Option at ₹500/- by paying a premium of say ₹10/- In case the stock goes down to ₹450/- the fund has protected its downside to only the premium i.e ₹10/- instead of ₹50/-. On the contrary if the stock moves up to say ₹550/- the fund may let the Option expire and forego the premium thereby capturing ₹40/- upside. The strategy is useful for downside protection at cost of foregoing some upside.

For an option buyer, loss is limited to the premium that he has paid and gains are unlimited.

The above example is hypothetical in nature and all figures are assumed for the purpose of illustrating the use of call options in individual stocks. Similar analogy can be used for Index Options too when the fund wishes to hedge a part of the total portfolio or cash.

**The following section describes some of the more common debt derivatives transactions along with their benefits:**

### **Interest Rate Swap (IRS)**

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while other receives a floating (variable) rate of interest.

### **Interest Rate Futures (IFS)**

An interest rate futures contract is "an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today." Interest rate futures are derivative contracts which have a notional interest bearing security as the underlying instrument. The buyer of an interest rate futures contract agrees to take delivery of the underlying debt instruments when the contract expires and the seller of interest rate futures agrees to deliver the debt instrument.

The fund can effectively use interest rate futures to hedge from increase in interest rates.

### **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

### **Example**

Let us assume that a scheme has an investment of ₹10 crore in an instrument which pays interest linked to NSE Mibor. Since the NSE Mibor would vary daily, the scheme is running an interest rate risk on its investment and would stand to lose if rates go down. To hedge itself against this risk, the scheme could do an IRS where it receives a fixed rate (assume 10%) for the next 5 days on the notional amount of ₹10 crore and pay a floating rate (NSE Mibor). In doing this, the scheme would effectively lock itself into a fixed rate of 10% for the next five days. The steps would be.

1. The scheme enters into an IRS on ₹10 crore from May 1, 2012 to May 6, 2012. It receives a fixed rate of interest at 10% and the counter party receives the floating rate (NSE Mibor). The Scheme and the counter party exchange a contract of having entered into this IRS.
2. On a daily basis, the NSE Mibor will be tracked by the counterparties to determine the floating rate payable by the scheme.
3. On May 6, 2012, the counterparty will calculate the following;
  - The scheme will receive interest on ₹10 crore at 10% p.a. for 5 days i.e. ₹1,36,986/-
  - The scheme will pay the compounded NSE Mibor for 5 days

- Effectively, the scheme has earned interest at 10% p.a. for 5 days by converting its floating rate asset into a fixed rate through the IRS.

If the total interest on the compounded NSE Mibor rate is lower than ₹1,36,986/-, the scheme will receive the difference from the counterparty and vice-versa. In case the interest on compounded NSE Mibor is higher, the scheme would make a lower return than what it would have made had it not undertaken IRS.

Further, SEBI vide its Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010, has prescribed the following in respect of investments in derivatives:

- The cumulative gross exposure through equity, debt and derivative positions shall not exceed 100% of the net assets of the Scheme.
- The Scheme shall not write options or purchase instruments with embedded written options.
- The total exposure related to option premium paid must not exceed 20% of the net assets of the Scheme.
- Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
- Exposure due to hedging positions may not be included in the above mentioned limits, subject the following:
  - Hedging positions are the derivative positions that reduce possible losses on existing positions in securities and till the existing position remains.
  - Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.
  - Any derivative instrument used to hedge has the same underlying security as the existing positions being hedged.
  - The quantity of underlying associated with the derivative positions taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
- The Scheme may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
- Exposure due to derivative positions taken for hedging purposes in excess of the underlying positions against which the hedging position has been taken, shall be treated under the limits mentioned in Point 1.

### **Portfolio Turnover Rate**

The Portfolio Turnover Rate (PTR) means the lower of aggregate sales or purchases made during a particular year/period divided by the Average Asset under Management (average of Assets under Management on last day of month) for the relevant year/period.

"Portfolio Turnover" is the term used by any Mutual Fund for measuring the amount of trading that occurs in a Scheme's portfolio during the year. The Scheme(s) are open-ended scheme(s). It is expected that there may be a number of subscriptions and repurchases (after completion lock in period) on a daily basis. Moreover, portfolio turnover in the Schemes will be a function of market opportunities. The economic environment changes on a continuous basis and exposes portfolio to systematic as well as non-systematic risk. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. However, a high turnover would significantly affect the brokerage and transaction costs. This will exclude the turnover caused on account of:

- Investing the initial subscription,
- Subscriptions and redemption undertaken by the unit holders.

The AMC will endeavor to balance the increased cost on account of higher portfolio turnover with the benefits derived therefrom. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be representative of arbitrage opportunities that exist for scrips/securities held in the portfolio rather than an indication of a change in AMC's view on a scrip, etc.

### **F FUNDAMENTAL ATTRIBUTES**

Following are the Fundamental Attributes of the Scheme(s), in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:



**(i) Type of a scheme**

- Open ended Scheme(s)
- Equity Linked Savings Scheme(s)

**(ii) Investment Objective**

- Main Objective - Please refer the Section on '**Investment Objective of the Scheme(s)**'.
- Investment pattern – Please refer the Section on '**How will the Scheme(s) allocate its assets**'.

**(iii) Terms of Issue**

- Liquidity provisions such as listing, repurchase, redemption – Please refer the Section on '**Ongoing offer Details**'.
- Aggregate fees and expenses charged to the scheme(s) - Please refer the Section on '**Fees and Expenses**'.
- Any safety net or guarantee provided : Not applicable

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unit holders is carried out unless:

- A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unit holders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

**G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?**

Name of the Scheme(s)	Benchmark Index
Principal Tax Savings Fund	BSE 200 Index
Principal Personal Tax Saver Fund	BSE 100 Index

The composition of the aforesaid benchmark(s) is such that it is most suited for comparing performance of the respective Scheme. The Fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme(s), subject to SEBI Regulations.

**H. WHO MANAGES THE SCHEME(S)?**

**Principal Tax Savings Fund**

Name of the Fund Manager	Designation	Age & Qualification	Brief Experience	Name of Schemes under his management
Mr. P.V.K. Mohan	Head - Equity	46 Years B.Tech/PGDM	Has over 18 years of experience in Indian Equity markets. In his previous assignments he worked with ICICI Prudential Asset Mgmt. Company Limited, DSP BlackRock Investment Managers Private Limited and IL&FS Mutual Fund.	a) Principal Growth Fund b) Principal Tax Savings Fund c) Principal Balanced Fund (Jointly with Mr. Pankaj Jain)

**Principal Personal Tax Saver Fund**

Name of the Fund Manager	Designation	Age & Qualification	Brief Experience	Name of Schemes under his management.
Mr. Anupam Tiwari	Fund Manager	34 years / Chartered Accountant	Mr. Tiwari has more than 7 years of experience in Equity Markets as Research Analyst and Fund Manager. Prior to joining Principal Mutual Fund, he has worked with Reliance Mutual Fund and Reliance Life Insurance Ltd.	(a)Principal Large Cap Fund (b) Principal Smart Equity Fund (c) Principal Personal Tax Saver Fund (d) Principal Services Industries Fund* (e)Principal Debt Savings Fund*  [* Asst. Fund Manager]

**I. WHAT ARE THE INVESTMENT RESTRICTIONS?**

Following Investment limitations/restrictions are specific to these Scheme(s):-

- The Fund under all its Schemes should not own more than 10% of any company's paid up capital carrying voting rights.
- Transfers of investments from one scheme to another scheme of Principal Mutual Fund shall be allowed only if:
  - Such transfers are done at the prevailing market price for quoted instruments on spot basis.  
[Explanation - "Spot basis" shall have same meaning as specified by stock exchange for spot transactions.]
  - The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- A scheme may invest in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that aggregate interscheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the mutual fund.
- The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities. Provided that the Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI. Provided further that the Scheme may also enter into derivatives transactions in a recognised stock exchange, subject to the framework specified by the Board. Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.
- The Mutual Fund shall get the securities purchased or transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.
- Pending deployment of Funds of the scheme in terms of investment objective, Mutual Fund may invest them in short term deposits of scheduled commercial banks, subject to the following:
  - The scheme shall not park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
  - The scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
  - No funds of the scheme may be parked in short term deposit of a bank which has invested in that scheme.
  - Short Term for such parking of fund by Mutual Fund shall be treated as a period not exceeding 91 days.
- The scheme shall not make any investment in:
  - any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the sponsor; or

- the listed securities of group companies of the sponsor which is in excess of 25% of the net assets
- The Scheme shall not invest in any Fund of Funds Scheme.
- The Scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any Company.
- The Scheme shall not invest more than 5% of its net assets in the unlisted equity shares or equity related instruments.
- Aggregate value of “Illiquid Securities” of the Scheme, which are defined as non-traded, thinly traded and unlisted equity share, shall not exceed 15% of the total assets of the Scheme.
- Investment in foreign Securities: In accordance with RBI Circular A.P. (DIR) Series Circular No. 3 dated July 26, 2006 read with SEBI Circular SEBI/IMD/CIR No.7/104753/07 dated September 26, 2007, the Fund is permitted to invest only up to US\$ 300 million in identified overseas securities. Such limit and/or identified securities may be revised at the discretion of the Fund in alignment with the provision that may be prescribed in this regard by SEBI/RBI from time to time.

Since the Scheme may invest a part of its corpus in debt oriented and money market securities/instruments/funds, to manage its liquidity requirements, the investment restrictions specific to debt securities have been provided here below:-

- The scheme shall not invest more than 15% of its NAV in debt instruments (of any residual maturity period) issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities and money market instruments.

Provided further that the debentures irrespective of any residual maturity period (above or below one year), shall attract restriction as applicable under clause 1 and 1A of Seventh Schedule to the SEBI (Mutual Funds) Regulations, 1996.

Provided further that the restrictions for investments made in securitised debt (mortgage backed securities/asset backed securities) would be applicable as mentioned in Seventh Schedule and per the clarification made by SEBI vide circular no. SEBI/IMD/CIR No.6/63715/06, dated March 29, 2006.

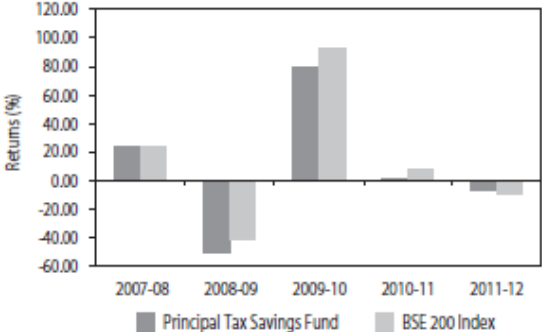
- The Scheme shall not invest more than 30% of its net assets in money market instruments of an issuer.  
Provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations
- The scheme shall not invest more than 10% of its NAV in unrated debt instruments (of any residual maturity period) issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the AMC.

These investment limitations/parameters (as expressed/linked to the net asset/NAV/capital) shall in the ordinary course apply as of the date of the most recent transaction or commitment to invest, and changes do not have to be effected merely because, owing to appreciation or depreciation in value, or by reason of the receipt of any rights, bonuses or benefits in the nature of capital, or of any scheme of arrangement, or for amalgamation, reconstruction or exchange, or at any repayment or repurchase or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, the AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unit holders.

In addition, certain investment parameters (like limits on exposure to sectors, industries, issuers, etc.) may be adopted internally by the AMC, as amended from time to time, to ensure appropriate diversification/security for the Fund. The AMC may alter these above stated limitations from time to time, and also to the extent the SEBI Regulations change, so as to permit the Fund to make its investments in the full spectrum of permitted investments for Mutual Funds to achieve its investment objective. As such all investments of the Fund will be made in accordance with SEBI Regulations including Schedule VII thereof.

## **J. HOW HAS THE SCHEME PERFORMED?**

Returns (%) as at April 30, 2012

Period	Returns (%)	BSE 200 (%)	Absolute Returns for last 5 financial years  Year-wise Absolute Returns  Legend: Principal Tax Savings Fund (Dark Grey), BSE 200 Index (Light Grey) <table><caption>Data for Principal Tax Savings Fund Absolute Returns (%)</caption><thead><tr><th>Year</th><th>2007-08</th><th>2008-09</th><th>2009-10</th><th>2010-11</th><th>2011-12</th></tr></thead><tbody><tr><td>2007-08</td><td>20.00</td><td></td><td></td><td></td><td></td></tr><tr><td>2008-09</td><td></td><td>-40.00</td><td></td><td></td><td></td></tr><tr><td>2009-10</td><td></td><td></td><td>80.00</td><td></td><td></td></tr><tr><td>2010-11</td><td></td><td></td><td></td><td>10.00</td><td></td></tr><tr><td>2011-12</td><td></td><td></td><td></td><td></td><td>-10.00</td></tr></tbody></table>	Year	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	20.00					2008-09		-40.00				2009-10			80.00			2010-11				10.00		2011-12					-10.00
Year	2007-08	2008-09		2009-10	2010-11	2011-12																																	
2007-08	20.00																																						
2008-09		-40.00																																					
2009-10				80.00																																			
2010-11					10.00																																		
2011-12					-10.00																																		
Last 1 Year	(5.96)	(9.55)																																					
Last 3 Years	14.53	16.81																																					
Last 5 Years	(0.19)	5.10																																					
Since Inception*	15.82	11.99																																					

The past performance may or may not be sustained in the future.

**Note:** Returns for more than one year are calculated on **compounded annualised basis** assuming that all payouts have been reinvested at the then prevailing NAV.

\*March 31, 1996.

### Principal Personal Tax Saver Fund

Returns (%) as at April 30, 2012

Period	Returns (%)	BSE 100 (%)	Absolute Returns for last 5 financial years
Last 1 Year	(10.16)	(9.04)	
Last 3 Years	16.33	16.07	
Last 5 Years	3.86	5.26	
Since Inception*	22.33	11.62	

Year-wise Absolute Returns

Year	2007-08	2008-09	2009-10	2010-11	2011-12
2007-08	30.00				
2008-09		-50.00			
2009-10			90.00		
2010-11				10.00	
2011-12					-10.00

Legend: Principal Personal Tax Saver Fund (Dark Grey), BSE 100 Index (Light Grey)

Past performance may or may not be sustained in the future.

**Note:** Returns for more than one year are calculated on compounded annualised basis assuming that all payouts have been reinvested at the then prevailing NAV.

\*March 31, 1996.

### K. INVESTMENT BY AMC?

The AMC and investment companies managed by the Sponsor, its affiliates, its associate companies and subsidiaries may invest either directly or indirectly in the Scheme(s). The money managed by these affiliates, associates, the Sponsor, subsidiaries of the Sponsor and/or the AMC may acquire a substantial portion of a Scheme's units and collectively constitute a major investment a Scheme(s). Accordingly, repurchase of units held by such affiliates/associates and Sponsor may have an adverse impact on the units of a Scheme(s), because the timing of such repurchase may impact the ability of other unit holders to repurchase their units. The AMC reserves the right to invest its own funds in the Scheme(s) as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 and SEBI/IMB/CIR No.1/42529/05 dated June 14, 2005 regarding minimum number of investors in the Scheme/ Plan. The AMC shall not charge any fees on investment by the AMC in the units of the Scheme(s) in accordance with Sub Regulation 3 of Regulation 24 of the Regulations and shall charge fees on such amounts in future only if the SEBI Regulations so permit.

## **L. INCOME TAX BENEFIT**

Scheme(s) are an Equity Linked Savings Scheme(s) as per the Notifications dated 3 November, 2005 and 13 December, 2005 issued by the Department of Economic Affairs, Ministry of Finance Government of India or such other scheme(s) as the Central Government may, by notification in the Official Gazette, specify under section 80C of the Income Tax Act, 1961. Investors in the Scheme(s) are entitled to deductions of the amount invested in Units of the Scheme(s), subject to a maximum of ₹1,00,000/-, under and in terms of Section 80C (2) of the Income Tax Act, 1961.

Following category of investors who are entitled to claim income tax benefit under section 80(C) (2) of the Income Tax Act, 1961 by investing in the units of the scheme:

- (i) an individual; or
- (ii) a Hindu undivided family, and
- (iii) such others as may be specified by the prevailing provisions of Income Tax Act, 1961 including any amendment thereof/thereto.

The tax benefit shall be available only to the applicant or to the first applicant in case of joint holding.

## **M. LOCK-IN PERIOD**

Units issued under the Scheme(s) will be locked-in for a period of three years from the date of allotment. Such units cannot be repurchased /switched /pledged /transferred /gifted before the expiry of lock-in period. However, in the event of the death of the sole applicant or the first applicant in case of joint holding, the nominee or legal heir or the applicant stated next in the order (in case of joint holding) as the case may be, may encash the units after the completion of one year from the date of allotment.

## **N. SPECIAL BENEFIT - PERSONAL ACCIDENTAL DEATH INSURANCE**

Following category of resident investors under the Scheme(s) will be covered under an accident insurance cover for death by accident till the units are transferred (under the circumstances stated in this SID) or are repurchased by the Fund whichever is earlier;

1. Sole / First applicant only, in case of individual applicant
2. Karta in case of HUF
3. First applicant in case of Association of Persons (AOP) / Body of Individuals (BOI)

### **Limit of Insurance Cover**

The Insurance arrangement(s) currently is with ICICI Lombard General Insurance Company Limited. The insurance cover will be available not later than three months from the date of allotment of units in the Scheme(s). Hence during first three months from the date of allotment, benefit of personal accident insurance may not be available to the investors. However the Fund will endeavor to cover the investor under the insurance policy within three months from the date of allotment.

The details of the Personal Accidental Death Insurance covered under the Scheme(s) are as follows:

### **I. Principal Personal Tax Saver Fund**

1. Eligibility - Investor's Age - Minimum 3 years - Maximum 65 years;
2. The cover will be applicable to the first holder of the investment and cannot be transferred;
3. Cover/Claim event - Maximum of ₹1 lac, on Death arising solely and directly from an accident caused by external, violent & visible means.
4. The insurance cover will be 150 times multiplied by the no. of units held by the investor on the date of his / her death or ₹1 lac whichever is lower.

**Illustration :-** Where an investor is holding 100 units as on the date of his / her death, the insurance benefit will be  $150 \times 100(\text{units}) = ₹15000/-$ , AND where an investor holds 1000 units as on the date of his / her death, the insurance benefit will be ₹1, 00,000/-

## **II. Principal Tax Savings Fund**

1. Eligibility - Investor's Age - Minimum 5 years - Maximum 70 years
2. The cover will be applicable to the first holder of the investment and cannot be transferred.
3. Claim event - On Death arising solely and directly from an accident caused by external, violent & visible means.
4. The Insurance Cover will be as follows:

<b>Total Maximum Level of Investment at NAV Related Prices*</b>	<b>Level of Cover</b>
₹ 500 - ₹6,000	₹1,00,000
₹6,001 - ₹11,000	₹3,00,000
₹11,001 & above	₹5,00,000

\* The insurance cover will be available to eligible resident investors (as stated above) based on their total maximum level of investment (at NAV related price) whether invested through one application or more on the date of investment or on subsequent dates.

### **Illustration:**

Investor 'A' applies with subscription amount of ₹10,000/- at the NAV of ₹20/- per unit, against which on April 1, 2012, he was allotted 500 units. Assuming he dies on April 1, 2013 and the value of investment as on April 1, 2013 is ₹15,000/-. For the purpose of Insurance benefit, ₹10,000/- being the Total Maximum Level of Investment (i.e. the amount which Mr. 'A' has subscribed/invested) will be considered and accordingly Insurance Cover in the event of Mr. A's death will be ₹3,00,000/-

### **Other Terms of the Insurance Cover**

As per the requirement of the Insurance Company, a written notice of the death must, unless reasonable cause is shown, be given only to the Insurance Company before interment / cremation and in any case, within one calendar month after the date of the death. Further, any claims lodged at the locations of AMC and/or Karvy shall be treated as invalid.

The insurance cover is worldwide on 24 hour basis all insurance claims will be settled in India and shall be payable in Indian Rupees only. The insurance will cover only accidental death. Insurance will not cover natural death, suicide, accidental injuries, loss of limbs and other normal exclusions as stipulated in standard accident insurance policies. Insurance will be available for individuals of the age as mentioned for the respective Scheme above. The cover will be over and above other insurances against accidental deaths held by the unitholder. The insurance premium in respect of this cover will be borne by the Scheme and will form part of its annual recurring expenses which are subject to ceiling of 2.50% of daily average net assets of the scheme. The rules and regulations of the insurance company regarding insurance cover and claims shall be binding on the unitholders.

### **IMPORTANT NOTE**

Fund reserves right to review the level of insurance cover or remove the insurance cover offered to investors under the scheme. However any change in the level of insurance cover or removal of insurance cover will be on the prospective basis and will be applicable to new investors only subsequent to the date of change. Insurance cover is a fundamental attribute of the scheme. Insurance cover will be provided to eligible resident investors for a minimum period of three years from the date of allotment.

## Assignee for Insurance

To facilitate settlement of insurance claims, applicant must nominate a person for claiming the insurance proceeds. Settlement procedures will be as stipulated by the insurance company.

**IT IS COMPULSORY FOR THE APPLICANTS TO FURNISH DETAILS OF THE ASSIGNEE FOR THIS INSURANCE COVER IN THE SPACE PROVIDED FOR IN THE APPLICATION FORM. INVESTOR MAY NOT GET COVERED UNDER INSURANCE IF THE ASSIGNEE IS NOT APPOINTED.**

## SECTION IV. UNITS AND OFFER

This section provides details you need to know for investing in the scheme(s).

### A. NFO Details

This section does not apply to the scheme(s) covered in this Scheme Information Document, as the ongoing offer of the scheme(s) has commenced after the NFO, and the units are available for continuous subscription and redemption (after the prescribed lock-in-period).

### B. ONGOING OFFER DETAILS:

*With respect to Principal Tax Savings Fund kindly note that effective 3.00 p.m. of September 2, 2011, till further notice, fresh sale of units of the Scheme (by way of purchase or switch-ins /registration of SIPs) has been suspended. However, redemptions including switch out / STP / SWP etc. can be made at NAV based priced. Accordingly, reference to subscription/purchase (including Switch in/ SWP/STP) herein shall be only relevant for Principal Personal Tax Saver Fund.*

<b>Ongoing Offer Period</b> This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the NFO period	The date of inception of Principal Personal Tax Saver Fund and Principal Tax Savings Fund is March 31, 1996.  Being open ended scheme(s), investors can subscribe to the units of the scheme(s) on an ongoing basis.  To provide liquidity to the investors, after the expiry of lock-in period, the Scheme will offer for Redemption / Switch-out of Units at NAV based prices on every Business Day on an ongoing basis.
<b>Ongoing price for subscription (purchase) / switch-in (from other schemes/plans of the mutual fund) by investors.</b> This is the price you need to pay for purchase/switch-in.	At applicable NAV
<b>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</b> This is the price you will receive for redemptions/switch outs. <i>Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be: <math>\text{₹}10 * (1 - 0.02) = \text{₹}9.80</math></i>	At the applicable NAV subject to prevailing exit loads.
<b>Plans / Options Offered</b>	No Plans or Options at present.

<b>Allotment</b>	The allotment will be made to all applicants provided the applications received are complete in all respects. An offer to purchase units is not binding on, and may be rejected by AMC, until it has been confirmed through an Account/Transaction Statement and payment has been received.
<b>Refunds</b>	Refund of subscription money to investors whose application is invalid for any reason whatsoever, or whose application has not been accepted in full will be without incurring any liability whatsoever for interest or other sum.
<b>Who can invest</b> This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile	<p>The following persons (subject wherever relevant to, purchase of Units being permitted under their respective constitutions and relevant State Regulations) are eligible to apply for purchase of units under the Scheme(s):</p> <p>(i) Resident Indian Nationals who are:</p> <ul style="list-style-type: none"> <li>▪ Adult individuals as sole holder,</li> <li>▪ Adult individuals not exceeding three jointly or on an either/anyone or survivor basis.</li> <li>▪ Parents/Lawful guardians on behalf of Minors.</li> <li>▪ Partnership Firms</li> <li>▪ Hindu Undivided Families(HUF), through their Karta acting or on behalf of the HUF</li> <li>▪ Institutions, Companies, Bodies Corporate, Public Sector Undertakings</li> <li>▪ Banks (including Co-operative Banks and Regional Rural Banks), Funds, Financial and Investment Institutions and Societies registered under the Societies Registration Act 1860 or Co-operative Societies, subject to their byelaws permitting them to invest in the units of the mutual fund,</li> <li>▪ Religious and Charitable Trusts, drafts or endowments and Private Trusts, under the provisions of Section 11(5) of Income tax Act, 1961 read with Rule 17(C) of Income tax Rules 1962 registered under the Societies Registration Act/Indian Trusts Act, Trustees of Private Trusts authorized to invest in mutual fund schemes under their trust deeds</li> <li>▪ Scientific and Industrial Research Organizations</li> <li>▪ Association of Persons/Body of Individuals, whether incorporated or not</li> <li>▪ Army/Air Force/Navy other paramilitary units and bodies created by such institutions besides other eligible institutions</li> <li>▪ Mutual Funds registered with SEBI</li> </ul> <p>(ii) Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India.</p> <p>(iii) Overseas Financial Organizations which have entered into an arrangement for investment in India, inter-alia with a Mutual Fund registered with SEBI and which arrangement is approved by the Central Government.</p> <p>(iv) Non-Resident Indians (NRIs)/Foreign Institutional Investors (FIIs) and Persons of Indian origin residing abroad, on a full repatriation basis or non-repatriation basis. Presently OCBs cannot invest in domestic mutual funds pursuant to RBI A.P. (DIR Series) Circular No.14 dated September 16, 2003.</p> <p>(v) Such other individuals/institutions/body corporate, etc. as may be decided by the Fund from time to time, so long as wherever applicable they are in conformity with regulations.</p> <p>(vi) Other Schemes of Principal Mutual Fund subject to the conditions and limits prescribed by applicable SEBI Regulations.</p> <p>(vii) The Trustees/Trust, AMC or Sponsor or its affiliates, its associate companies and subsidiaries may also subscribe to the units under this Fund.</p> <p>(viii) Provident/Pension/Gratuity/Superannuation Fund(s) and such other retirement and employee benefit and other similar Funds.</p>



	<p>The Trustees may accept an application from an unincorporated body of persons/trusts. The Trustees may from time to time add and review the persons eligible for making application for purchase of units under the Scheme(s).</p> <p>The Scheme(s) have not been and will not be registered in any country outside India. To ensure compliance with any Laws, Acts, Enactment, etc. including by way of Circulars, Press Releases, or Notifications of Government of India, the Fund may require/give verification of identity/any special/additional subscription-related information from/ of the unit holders (which may result in delay in dealing with the applications, Units, benefits, distribution, etc./giving subscription details, etc.). Each unit holder must represent and warrant to the Trustees/AMC that, among other things, he is able to acquire Units without violating applicable laws. The Trustees will not knowingly offer or sell Units to any person to whom such offer or sale would be unlawful, or might result in the Fund incurring any liability or suffering any other pecuniary disadvantages which the Fund might not otherwise incur or suffer. Units may not be held by any person in breach of the law or requirements of any governmental, statutory authority including, without limitation, exchange control regulations. The Trustees may compulsorily redeem any Units held directly or beneficially in contravention of these prohibitions. In view of the individual nature of investment portfolio and its consequence, each unit holder is advised to consult his/her own professional advisor concerning possible consequences of purchasing, holding, selling, converting or otherwise disposing of the Units under the laws of his/her state/country of incorporation, establishment, citizenship, residence or domicile.</p> <p>Kindly note that neither the Statement of Additional Information; nor this Scheme Information Document, nor the Application for the Units, nor the Units (“these Documents”) has been registered in any jurisdiction. The distribution of these Documents in certain jurisdictions may be prohibited or restricted or subject to registration requirements and accordingly, persons who come into possession of any of these Documents are required to inform themselves about and to observe, any such restrictions. No person receiving a copy of any of these Documents in such jurisdiction may act or treat these Document or any part/portion thereof as constituting an invitation to him to subscribe for Units, nor should he in any event use any such Documents, unless in the relevant jurisdiction such an invitation could lawfully be made to him and such Documents could lawfully be used without compliance with any registration or other legal requirements. Accordingly, none of these Documents (including or any part/portion thereof) constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to any one to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of any of these Documents and any persons wishing to apply for Units pursuant to these Documents to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.</p>
<p>Where can you submit the filled up applications.</p>	<p>Applications filled up and duly signed by the applicants for Subscription/Redemption/Switch should be submitted at the office of the ISCs/Official Points of Acceptance nearest to you whose names and addresses are mentioned on the last / back cover page of this SID. Investors can also subscribe and redeem units from the official website of AMC i.e. <a href="http://www.principalindia.com">www.principalindia.com</a></p> <p>Investors can also subscribe to the Units of Principal Personal Tax Saver Fund through MFSS facility of NSE. Please refer to section “<b>Trading in units through Stock Exchange Mechanism</b>” under Section B ‘<b>Ongoing Offer</b></p>

	<b>Details</b> ’, for detailed provisions.
<b>How to Apply</b>	Please refer to the SAI and Application form for the instructions.
<b>Listing</b>	Being an open ended scheme(s), the units of the Scheme(s) will not be listed
<b>Cut off timing for subscriptions redemptions/ switches</b>  <i>This is the time before which your application (complete in all respects) should reach the Official Points of Acceptance</i>	<p><b>Cut Off Time For Subscriptions/ Switch-in</b></p> <ul style="list-style-type: none"> <li>• In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;</li> <li>• In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and</li> <li>• In respect of the valid applications received with an outstation cheque or demand draft not payable on par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which the cheque or demand draft is credited shall be applicable.</li> </ul> <p><b>Cut Off Time For Redemptions / Switch-out</b></p> <p>After the expiry of lock – in period:</p> <ul style="list-style-type: none"> <li>• in respect of valid applications received upto 3.00 p.m. at the Official Points of Acceptance of Transactions, same day’s closing NAV will be applicable</li> <li>• in respect of valid applications received after 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable</li> </ul> <p>Cut off time as mentioned above shall be reckoned at the Official Points of Acceptance of transactions as disclosed in the SID and the website <a href="http://www.principalindia.com">www.principalindia.com</a>.</p>
<b>Minimum amount for purchase/redemption/swiches</b>	<p>Minimum application amount will be ₹500/- and any amount thereafter with subsequent investment of ₹500/- &amp; any amount thereafter.</p> <p><i>Systematic Investment Plan/ Systematic Withdrawal Plan (Post lock in period) / Systematic Transfer Plan (Post lock in period) : Minimum 6 installments of ₹500/- each.</i></p> <p>After the expiry of lock – in period, minimum repurchase amount will be ₹500/- or 50 units.</p>
<b>Minimum balance to be maintained and consequences of non-maintenance</b>	At present investor are not required to maintain minimum balance in their respective folios, however the AMC/Trustees reserves the right to change it at any future date by giving advance notice.
<b>Special facilities for Investors/Unit holders</b>	<p>The Fund reserves the right to amend or terminate or introduce special facilities in the SID. The current special facilities offered are as follows:</p> <p><b>1. Switching Option</b></p> <p>Switching will be allowed into/from other select open ended scheme(s) managed under the Fund, either currently in existence or the scheme(s) that may be launched in the future at NAV based prices.</p> <p>In the case of NRIs, FIIs, etc. this will be subject to necessary approval (if any) from the Reserve Bank of India and any other approval as applicable. Tax deduction at source, if any, will be effected at the appropriate rate in case of a switch and the balance amount would be utilized to exchange units to the</p>

other Scheme.

Switching from the Scheme(s) into other existing schemes would be available, after expiry of lock-in period, on a continuous basis, subject to the loads, as may be applicable.

A request for switch may be specified either in terms of amount or in terms of the number of units of the scheme/plan/option from which the switch is sought. Such instructions may be provided in writing by completing the switch form or using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement and lodging the same on any business day at any of the designated Official Points of Acceptance. The switch will be effected by redeeming units from the scheme in which the units are held and investing the net proceeds in the other Scheme, subject to the minimum balance applicable for the respective Scheme.

## 2. Systematic Investment Plan

Systematic Investment Plan (SIP) is available for planned and regular investments. Under SIP, unit holders can benefit by investing specified rupee amounts periodically for a continuous period. This concept is called Rupee Cost Averaging. This program allows unit holders to save a fixed amount of rupees every month/quarterly by purchasing additional units of the Scheme.

### Example

Let us take an example of a unit holder who invests ₹3000/- per month

Month	NAV	Amount (₹)	Units
April 1	10.50	3000	285.71
May 1	10.65	3000	281.69
June 1	10.05	3000	298.50
July 1	9.75	3000	307.69
August 1	9.60	3000	312.50
September 1	9.50	3000	315.79
October 1	9.25	3000	324.32
November 1	9.05	3000	331.49
December 1	8.90	3000	337.08
January 1	8.75	3000	342.86
February 1	8.50	3000	352.94
March 1	8.80	3000	340.91
<b>TOTAL</b>		<b>36000</b>	<b>3831.48</b>

**Note:** The figures of NAV are hypothetical and are for illustrative purposes only.

At the end of one year the unitholder would have 3831.48 units.

Rupee Cost Averaging does not guarantee a profit nor protect against a loss. Rupee Cost Averaging can smooth out the market's ups and downs and reduce the risk of investing in volatile markets.

### Features of the SIP

1. SIP Applications will be accepted on any working day of the month. Accordingly the units will be allotted on the date of receipt of valid SIP Application along with a SIP investment cheque dated not beyond the date of the Application. Thereafter the date for the first SIP installment shall be 1<sup>st</sup>, 5<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup> of a particular month ("specified dates for SIP investments") as selected by the Investor OR the nearest date amongst the Specified Date subsequent to receipt of the application, as the case may be

after completing a minimum time gap of 30 days from the date of the first SIP investment cheque. E.g. If a duly completed SIP enrolment is received within the applicable cut-off timings on January 27, 2012 along with a valid cheque dated not beyond January 27, 2012, for a SIP investment of ₹500/- per month (together with 5 or more post dated cheques each for a minimum of ₹500/-), the units will be allotted on January 27, 2011 with the scheme applicable NAV, and the next SIP date [first SIP Installment date] will be March 1, 2012 or immediately following business day if March 1, 2012 is a non-business day OR such other date amongst the Specified Dates as per the application form.

2. Investors, who wish to opt for ECS (debit clearing) facility available with select banks, should ensure that there is a minimum time gap of 30 days between the first cheque for SIP enrolment and first installment of SIP through ECS or Direct Debit. Dishonoured cheque(s) may not be presented again for collection.
3. Unit holders need not submit a copy of cancelled cheque provided the SIP Auto Debit Facility Enrolment Form is attested by the Bank from which SIP installments will be debited.
4. Unit holders have the right to discontinue the SIP facility at any time by sending a written request to any of the designated Investor Service Centers (ISCs) of Principal Mutual Fund. Please also note that notice of such discontinuation should be received at least 18 working days (as against the existing provision of 7 working days) prior to the due date of the next SIP installment.
5. SIP enrolment will be discontinued by Principal Pnb Asset Management Company Pvt. Ltd. [AMC] in case [a] the SIP installment is not honored consecutively for three SIP installments, [b] the Bank account [for ECS (Debit Clearing) and/or Standing Instruction for direct debit] is closed and the request for change in bank account is not submitted by the concerned unit holder at least 18 working days before the due date of next SIP installment. Further, in such cases the balance cheques, if any, will be returned to the unit holder.

**Micro SIP:**

Pursuant to SEBI's communication to AMFI vide its letter dated June 19, 2009; AMFI has issued guidelines for uniform implementation of the said SEBI letter. In accordance to the same, Systematic Investment Plans (SIP) up to ₹50,000/- per year per investor ('Micro SIP') shall be exempt from requirement of PAN.

This exemption will be applicable ONLY to investments by individuals (including NRIs but not PIOs), Minors and Sole proprietary firms. HUFs and other categories will not be eligible for Micro SIPs. Details on Micro SIP are available in Statement of Additional Information.

However, effective January 1, 2012, new Investors registering for Micro SIP have to mandatorily submit KYC acknowledgement letter.

**Systematic Investment Plan (SIP) for Corporate Employees.**

With a view to encourage employees of Corporate to invest their savings into the various Schemes of our Mutual Fund, Principal Mutual Fund provides a investment facility to the employees of Corporate under the Employee Savings Plan (ESP).

This feature will be guided by the terms and conditions as laid down below:

1. Under this feature the employees can submit application vide the normal application and/or ESP Forms. The employee is required to fill the details in the normal application/ ESP form providing the details of amount and duration of such SIP installments and the details of such investment should also be provided to the Human Resources Department of such Corporate (HRD).
2. The employees should instruct the HRD to deduct the amount of Investment every month / quarter from their salary for such period as indicated by him / her. Such periodicity shall be monthly or quarterly.
3. The minimum amount and periodicity, to be contributed to open an account under this option is as per the minimum scheme requirements as prescribed under Systematic Investment Plan/additional subscription of the Scheme.
4. The periodic employee contribution should be the minimum application amount and the same should be higher than that of SIP. The employee has an option to select either 1<sup>st</sup> or 5<sup>th</sup> of every month for such investment.
5. The employee can seek redemption independently.
6. The applicable NAV for application received under such plan, will be as per the date and time (refer to section on cut off timing) on which the request / payment instrument and sheet detailing the list of Investment of such employees, is received from HRD of such Employees at the Official Points of Acceptance of AMC .

### **3. Systematic Withdrawal Plan**

After expiry of lock-in period, a unitholder may avail of the Systematic Withdrawal Plan and receive regular payments from the account. The unitholder has an option to select 1<sup>st</sup>, 11<sup>th</sup> or 21<sup>st</sup> day of the month on which the Systematic Withdrawal is to be made.

The unitholder may set up a Systematic Withdrawal Plan on a monthly, quarterly or semi-annual or annual basis as follows:

- Redeem a fixed number of units
- Redeem a fixed amount

Once the unitholder sets up a Systematic Withdrawal Facility the plan would continue until:

- The unitholder instructs the Fund to stop periodic withdrawal in writing; or
- The unitholder's account balance is zero
- On expiry of the time/period specified by the unitholder

The amount thus withdrawn shall be converted into the respective scheme units at the applicable NAV, subject to an exit load, if any (on which date the payment/switch is scheduled), and such units will be subtracted from the unit balance of that unitholder. The minimum balance amount needed for the Systematic Withdrawal Plan may be altered from time to time at the discretion of the AMC.

### **4. Systematic Transfer/Switch Plan**

After expiry of lock-in period, the unitholder may set up a Systematic Switching Plan on a monthly, quarterly, semi-annual or annual basis to exchange a fixed number of units and /or amount in one scheme to another scheme or one plan/option to another.

Once the unitholder sets up a Systematic Switching Plan the plan would continue until:

- the unitholder instructs the Fund to stop periodic switching in writing; or
- the unitholders account balance is zero.

The unitholder has an option to select 1<sup>st</sup>, 11<sup>th</sup> or 21<sup>st</sup> day of the month on which the Systematic Switch is to be made.

If the selected date is not a business day, the switch will take place on the next business day.

All switches are subject to the minimum investment and eligibility requirements of the switch in scheme

The amount thus switched shall be converted into the respective scheme units at the applicable NAV, subject to an exit load, if any (on which date the payment/switch is scheduled), and such units will be subtracted from the unit balance of that unitholder. The minimum balance amount needed for the Systematic Switch Plan may be altered from time to time at the discretion of the AMC.

Unitholders may change the amount of systematic withdrawal/switch but not below the specified minimum amount of repurchase for a particular Scheme by giving 30 days written notice to the Registrars/AMC. The various triggers for activating a systematic withdrawal and/or switch facility can also be used for activating a normal repurchase and/or switch facility. (Available after expiry of the lock-in period.)

## **5. TRIGGERS**

Under this facility, the unit holders, after expiry of relevant lock-in period may opt for withdrawal and/or switch in the normal manner based on the value of investment either reaching upto or below or above/beyond a specified particular value; the capital appreciation/gains realization either equals to or becomes more/lower than a specified particular amount or percentage on happening of a particular event, on a particular date etc. (with or without lock in for a particular period). Trigger thus acts as a financial planning tool for information and the unit holder may subsequently continue in the scheme or otherwise withdraw/switch. For e.g. an account may be monitored and the unit holder either informed or account redeemed (no redemption will be permitted if under lock-in) as and when the balance reaches or crosses (rise or fall) a desired value or after a certain period of time etc. This helps the unit holders to minimise the loss and/or book timely profits. In case of triggers linked with events/dates, on realisation of gains (equal to/beyond/lower than), a specified amount/full amount/gains/appreciation etc. would be redeemed and paid either when the investment reaches upto and/or beyond (above or below) a particular value or after a particular period of time.

In case of triggers linked with gains/appreciation, at the option of the unit holder, either the amount equivalent to gains/appreciation would be redeemed or the full original investment amount would be redeemed and the gain/appreciation component paid to the unit holder/switched into other scheme/plan, and the original investment amount would be reinvested either



in the same scheme/plan or any other scheme/plan.

### ACTIVATION OF TRIGGER

Unit holders shall note that NAV of a scheme is determined on close of the business day taking into consideration closing prices of the securities on the primary stock exchange (*please refer to clause on “Valuation Policy” in the SAI & “Determination of Net Asset Value” in the SID*). Intraday prices are not considered for valuing the scheme’s portfolio. Value of the unit holder’s unit balance at the end of a relevant business day based on that day’s NAV and closing value of a relevant index of a stock exchange would be used as a base for activating the triggers.

However all redemptions/switches/reinvestments etc. linked to triggers will always be at the applicable NAV based prices of the day on which the event occurs.

Please also note that the trigger is an additional facility provided to the unit holders to save time on completing the redemption/switch formalities on happening of a particular predetermined event. Trigger is not an assurance on part of AMC/Fund to the investor that he/she will receive a particular amount of money/appreciation and/or a percentage on redemption or will get a particular amount of capital appreciation or will minimise the loss to investor to a particular amount or percentage. Trigger is an event on happening of which the Fund will automatically redeem and/or switch the units on behalf of the investors on the date of happening of the event. In actual parlance, a trigger will activate a transaction/alert when the event selected for has reached a value greater or less than the specified particular value (trigger point).

Unit holders can opt from any one of the following event under trigger option;

1. *When value of investment of the unit holder reaches or crosses a particular value*

**Eg. Investment Value reaches or crosses ₹11000/-**

Trigger Activation

**If investment value at NAV based price is less than ₹11,000/-, trigger will be activated when value of the units at NAV held by unit holders rises to ₹11000/- or more on close of any business day.**

If investment value at NAV based price is more than ₹11,000/-, trigger will be activated when value of the units at NAV held by unit holders falls to ₹11000/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of units held by unit holders reaches or crosses or falls below ₹11,000/-.

2. *Capital appreciation of a particular amount*

**Eg. Capital appreciation by ₹1000/-**

Trigger Activation

Trigger will be activated when value of units invested at NAV based price appreciate by ₹1000/- or more at NAV on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of investment held by unit holders increase at least by ₹1000/-.

3. *NAV reaches or crosses a particular value*

**Eg. NAV reaches or crosses ₹11/-**

Trigger Activation

If NAV on the date of allotment of investment is less than ₹11/-, trigger will be activated when NAV rises to ₹11/- or more on close of any business day. If

NAV on the date of allotment of investment is more than ₹11/-, trigger will be activated when NAV falls to ₹11/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which NAV reaches or crosses or falls below ₹11/-.

*4. BSE Sensex reaches or crosses a particular value*

**Eg. BSE Sensex reaches or crosses 16000**

Trigger Activation

If BSE Sensex on the date of allotment of investment is less than 16000, then trigger will be activated when BSE Sensex rises to 16000 or more on close of any business day. If BSE Sensex at the time of investment is more than 16000, then trigger will be activated when BSE Sensex falls to 16000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the BSE Sensex reaches or crosses or falls below 16000 mark.

*5. NSE Nifty reaches or crosses a particular value*

**Eg. NSE Nifty reaches or crosses 5000**

Trigger Activation

If NSE Nifty on the date of allotment of investment is less than 5000, then trigger will be activated when NSE Nifty rises to 5000 or more on close of any business day. If NSE Nifty on the date of allotment of investment is more than 5000, trigger will be activated when NSE Nifty falls to 5000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the NSE Nifty reaches or crosses or falls below 5000 mark.

*6. On a particular day or date*

**Eg. On 31/1/2011**

Trigger Activation

Trigger will be activated on 31/1/2012. All transactions linked with trigger will be on the basis of NAV of 31/1/2012 or on 1/2/2012 if 31/1/2012 is not a business day.

*7. Change in the value of units (held by unit holders) at least by certain percentage*

**Eg Change in Investment Value at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when value of the units at NAV based price invested by unit holders rises to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders falls by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either rises by 10% or more at NAV or falls by 10% or more on close of any business day.

Percentage rise or fall in value of units will be calculated on the amount invested by the unit holders.

*8. Capital appreciation of at least a certain percentage*

**Eg. Capital appreciation of at least (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when value of the units at NAV based price invested by unit holders appreciate to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders depreciates by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either appreciates by 10% or more at NAV or depreciates by 10% or more at NAV on close of any business day.



Difference between the value of units on close of a business day (at NAV) and amount invested (at NAV based price) will be used as a base for calculating percentage of capital appreciation.

*9. Change in the NAV at least by a certain percentage*

**Eg. Change in NAV at least by (+ or — or +) 10%**

**Trigger Activation**

Trigger will be activated when the NAV of the units rises by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units either rises by 10% or more or falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment

**Percentage rise or fall in NAV will be calculated comparing NAV on a particular business day with the NAV on the date of allotment of investment.**

*10. Change in the BSE Sensex at least by a certain percentage*

**Eg. Change in BSE Sensex at least by (+ or — or +) 10%**

**Trigger Activation**

Trigger will be activated when the BSE Sensex rises by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex either rises by 10% or more or falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment.

Percentage rise or fall in BSE Sensex will be calculated comparing BSE Sensex on a particular business day with the BSE Sensex on the date of allotment of investment.

*11. Change in the NSE Nifty at least by a certain percentage*

**Eg. Change NSE Nifty at least by (+ or — or +) 10%**

**Trigger Activation**

Trigger will be activated when the NSE Nifty rises by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty either rises by 10% or more or falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment.

**Percentage rise or fall in NSE Nifty will be calculated comparing NSE Nifty on a particular business day with the NSE Nifty on the date of allotment of investment;**

On happening of any of the above mentioned events, the Unit holder can opt for the following action on the date of happening of the relevant event;

- Full redemption
- Redemption to the extent of capital appreciation only
- Full switch into other scheme of Principal Mutual Fund
- Switch of only gains into other schemes of Principal Mutual Fund
- Full Redemption with original investment amount reinvested in any scheme of Principal Mutual Fund and gains paid to unit holder
- Full redemption with gains reinvested in any scheme of Principal Mutual Fund and original investment amount paid to unit holder

- Redemption of certain number of units
- Redemption of certain amount

Transactions linked with the triggers will be at the applicable NAV based price of the business day on which the event takes place. Further all the predetermined events i.e. the value of the unit balance, capital appreciation, NAV, BSE Sensex, NSE Nifty will be compared with the value of units, NAV, BSE Sensex and NSE Nifty prevailing on the date of investment (i.e. date of allotment) irrespective of the fact whether the trigger is opted on the date of allotment of investment or subsequently. For eg an investor has invested at ₹11/- and opted for full redemption if NAV appreciates at least by 10%. Trigger will be activated on the business day when NAV moves to ₹12.10 (i.e. 10% more than ₹11/-) or more.

Triggers(s) linked to BSE Sensex or NSE Nifty will always compare the value of BSE Sensex or NSE Nifty on close of business day. In case BSE or NSE is open on a non-business day, its value will not be considered even if it reaches or crosses a trigger value, and on any subsequent business day if the value of BSE or NSE is reached, the same would be considered for trigger purposes. For eg. A unit holder has opted for full redemption if NSE Nifty reaches or crosses 5000 mark. If NSE is open on January 1, 2012, but it is not a business for the Fund, trigger will not be activated (i.e. redemption will not take place) even though closing value of Nifty as on January 1, 2012, is 5000 or more.

The closing value of BSE Sensex/NSE Nifty on non-business day will be ignored for trigger activation. A trigger once activated will not be reactivated in any other scheme where the switch/reinvestment happens or in the same scheme which retains part of the value or in case of normal redemption/switch before trigger activation. Triggers will be deactivated on redemption and/or switch and/or more pledge of units except in case where only gains are to be redeemed or switched and opted for the same in the trigger form.

## **6. TRANSACTIONS THROUGH STOCK EXCHANGE MECHANISM**

Pursuant to the provisions of SEBI circular no. bearing reference SEBI/MD/CIR No. 11/183204/2009 dated November 13, 2009 and guidelines issued by National Stock Exchange (NSE) thereafter, Principal Personal Tax Saver Fund, have been admitted on the order routing platform of NSE w.e.f. April 19, 2010 enabling investors to submit applications for subscription and redemption there under:-

**The salient features of this facility are as follows:**

1. Purchase/redemption of units will be available to both existing and new investors. Currently Switching of units, Systematic Investment Plan, Systematic Transfer Plan, Systematic Withdrawal Plan will not be permitted through this facility.
3. The list of eligible schemes is subject to change from time to time.
4. In order to facilitate transactions through stock exchange infrastructure, NSE has introduced Mutual Fund Service System (MFSS). All trading members [Eligible Brokers] of NSE registered as Participants with NSE and/or registered clearing members of National Securities Clearing Corporation Limited (NSCCL) [Clearing Members] who are registered with AMFI as mutual fund advisors and who are empanelled with Principal Pnb Asset Management Company Pvt. Ltd. (AMC) (Eligible brokers) will be eligible to offer this facility to the investors. Further, only for the purpose of processing redemption request Depository Participant

of Depositories who are registered with AMFI as mutual fund advisors and empanelled with AMC are eligible for processing redemption transaction. Eligible investors who are willing to transact under this facility are required to register themselves with eligible brokers.

5. The units of eligible schemes are not listed on NSE and the same cannot be traded on stock exchange like shares. The window for purchase/redemption of units on NSE will be available between 9.00 a.m. to 3.00 p.m. or such other timings as may be decided.
6. All Eligible Brokers, Eligible Clearing Members and Depository Participants will be considered as the Official Point of Acceptance for the transactions done under this facility.
7. Investors have an option to hold units in physical form or in dematerialized form.
8. International Security Identification Number (ISIN) in respect of plans/options of the eligible schemes have been created and admitted in National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
9. Investors will be able to purchase/redeem units in the eligible schemes in the following manner:

#### **I. Physical Form:**

- (i) Investors desirous of transacting (subscription/redemption) through NSE should approach an Eligible Broker along with duly filled in application form and other documents (including KYC and PAN) as may be required. The payment for subscription should be made to the eligible broker.
- (ii) Dispatch of accounts statements and payment of redemption proceeds will be made by the Mutual Fund / registrar directly to the investor. Based on the information provided by the investor the redemption payout shall be to the investor's bank account registered with the Mutual Fund.
- (iii) In case of a subscription transaction, the allotment of units will be on 'Provisional' basis till the time AMC/Karvy Computershare Pvt. Ltd. (registrar) has received all the required documents from the eligible brokers. Any application for redemption of units so allotted on provisional basis will be rejected.
- (iv) In case investor desires to convert the existing physical units into dematerialize form, the request for the same will have to be submitted to the Depository Participant.

#### **II. Dematerialized Form:**

- (i) Eligible investors having a beneficiary account with a Depository Participant may avail the facility to subscribe units in dematerialize form.
- (ii) Eligible investor desirous in transacting (Subscription/redemption) through NSE should place an order with eligible broker, Eligible Clearing Member : -
  - (a) For subscriptions, the payment of subscription money should be made to the Eligible Broker / Clearing Member. Investors shall receive units through Eligible Broker / Eligible Clearing Member's pool account. Principal Mutual Fund (PMF) / Principal Pnb Asset Management Company Private Limited (PAMC) would credit the units to Eligible Broker / Eligible Clearing Member's pool account and the Eligible Broker/Eligible Clearing member in turn to the respective investor.

	<p>(b) For redemptions, investors shall receive redemption amount through Eligible Broker / Eligible Clearing Member's pool account. Payment of redemption proceeds will be made by PMF / PAMC to the Eligible Broker / Eligible Clearing Member and the Eligible Broker / Eligible Clearing Member in turn to the respective Investor.</p> <p>Payment of redemption proceeds to the Eligible Broker/Eligible Clearing Members by PMF / PAMC shall discharge PMF / PAMC of its obligation of payment to individual investor. Similarly, in case of subscription, crediting units into Eligible Broker/Eligible Clearing Member pool account shall discharge PMF / PAMC of its obligation to allot units to individual investor.</p> <p>9. Applications for purchase/redemption of units which are incomplete/invalid are liable to be rejected.</p> <p>10. For any complaints or grievances against the Eligible Broker/Eligible Clearing Member/Depository Participant with respect to transactions done through NSE, the investor should either contact the concerned Eligible Broker/Eligible Clearing Member / Depository Participant or Investor Grievance Cell of NSE. In case of non-financial request/applications such as change in address, change in bank details etc. the investors should approach Investors Service Centers of Principal Mutual Fund if units are held in physical mode and the respective Depository Participant if the units are held in dematerialized mode.</p> <p>11. Investors will have to comply with KYC norms as prescribed by NSE/CDSL/NSDL and Principal Mutual Fund from time to time.</p> <p>12. The applicability of NAV will be subject to guidelines issued by SEBI on uniform cut-off timings for applicability of NAV for Mutual Funds Scheme(s)/plan(s).</p> <p>13. This facility shall be subject to the terms and conditions specified and guidelines issued by SEBI/AMFI/NSE from time to time.</p> <p>14. AMC reserves the right to change / modify or discontinue this facility at any time in future.</p>
<p><b>Accounts Statements</b></p>	<p>Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto read with SEBI Circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, Investor whose transaction has been accepted by PMF shall receive the following :-</p> <p>(i) On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted will be sent by way of an email and/or SMS within 5 Business Days from the date of receipt of transaction request to the Unit holders' registered e-mail address and/or mobile number.</p> <p>(ii) A Consolidated Account Statement (CAS) for each calendar month shall be sent to the Unit holder(s) in whose folio(s) transaction (s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month vide e-mail (where e-mail id has been provided)/physical copy (where e-mail id has not been provided).</p> <p>(iii) For the purpose of sending CAS, common investors across Mutual Funds shall be identified by their Permanent Account Number (PAN).</p> <p>(iv) In case of specific request received from the Unitholders, the AMC/PMF will provide the account statement for the Investors within 5 Business days from the receipt of such request.</p> <p>(v) In case of Folio(s) having more than one registered Unitholder, the first</p>

named Unitholder shall receive the CAS/Account Statement.

- (vi) The CAS shall not be sent to such Unit holders where the PAN details are not updated / provided in the folio(s). Such Unit holders are therefore requested to ensure that the folio(s) are updated with their PAN. Such Unit holder will get monthly account statement from PMF in respect of transactions carried out in the schemes of PMF during the month.

**Half Yearly Account Statement:**

^CAS detailing holding across all schemes of all mutual funds at the end of every six months (i.e. September / March), shall be sent by mail/e-mail on or before 10<sup>th</sup> day of succeeding month, to all such Unit holders in whose folios no transactions\*\* has taken place during that period.

The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

^ Consolidated Account Statement (CAS) shall contain details relating to all the transactions\*\* carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges paid to the distributor.

\*\*‘Transaction’ shall include Purchase, Redemption, Switch, Dividend Payout, Dividend Reinvestment, Systematic Investment Plan, Systematic Withdrawal Plan, Systematic Transfer Plan and Bonus Transactions.

**Account Statements for investors holding units of the scheme in demat accounts:**

Existing unitholder having an account statement who may wish to seek dematerialization of their Units, would have to submit a request with his/her Depository Participant by filing up the Dematerialisation Request Form (DRF) along with the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode.

Account statement for transactions of demat units of the scheme in the market may be obtained from the depository participants with whom the investor holds DP Account.

**Account Number:**

Each unit holder will have an account number. The number of units allotted to a unit holder or repurchased by a unit holder will be reflected in his or her account and a statement/advice to this effect will be issued to the unit holder.

**Common Account Number:**

As a unit holder friendly measure, (unless otherwise requested by the unit holder), one Common Account Number will be assigned for one entity/investor investing in different schemes of the Fund. In such a case, one consolidated account statement will be provided. The AMC reserves the right to assign the existing Common Account Number against multiple applications and/or subsequent purchases under a new application form by an existing unit holder, with identical mode of holding and address.

**Account Statement:**

The Account Statement shall not be construed as a proof of title and is only a computer-printed statement indicating the details of transactions under the

	<p>scheme and is a non-transferable document. The Account Statement shall normally be dispatched within three business days on an ongoing basis.</p> <p><b>Unit Certificates:</b> Normally no unit certificates will be issued under the Scheme(s). However, if the unit holder so desires, the AMC shall issue a non-transferable unit certificate to the unit holder within 30 days of the receipt of request for the certificate. The cost of stamp duty paid for issuing the unit certificate will form part of the annual on-going expenses and/or may be recovered from the unit holder.</p> <p><b>Units With Depository:</b> The units of the Scheme(s) are admitted for dematerialization with the Depositories. The unit holders have an option to convert their existing units into dematerialized mode, accordingly existing unitholders having an account statement who may wish to seek dematerialization of their Units, would have to submit a request with their Depository Participant along with the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode. The expenses incurred by the AMC in dematting of the referred units may be recovered from unitholders or may be charged to the scheme(s) as per annual recurring expenses.</p> <p><b>Rematerialisation of Demat Units:</b> The unitholders who converted their units in demat mode may also rematerialize their units. The request for rematerialising the demat Units may be given to the respective Depository Participant (DP) of the investor. On receiving the confirmation of demat Units balance, account statement for the physical Units shall be issued. The same number of Units held in the demat mode shall be continued in the physical mode. Rematerialisation of demat Units shall be processed within the thirty days or such other days as may be stipulated under SEBI Regulations from the date of receipt of such a request, provided it is complete and valid in all respects.</p>
<b>Dividend</b>	<p>The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend. Efforts are being made to directly credit the dividend to the Unitholders account. In the event of delay the AMC shall pay to the concerning investor's interest @15% p.a. for such number of days beyond the specified period of 30 days.</p>
<b>Dividend Policy</b>	<p>In the interest of the Scheme(s) and the unit holders the AMC/Trustees may consider providing returns to the unit holders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme(s) after providing for all necessary recurring and other expenses. Distribution of dividend is subject to availability and adequacy of distributable surplus and approval of the Trustees. Quantum of dividend and the record date will be fixed by the Trustee and dividend so decided shall be paid, subject to availability of distributable surplus.</p> <p>Only those unit holders whose names appear in the register of unit holders as on the record date will be entitled for dividend and/or bonus units.</p> <p>The dividend warrants and/or fresh Account Statement with the bonus units shall be dispatched/credited to the unit holders within 30 days or such stipulated period of the declaration of dividend/bonus units. In the event of delay the AMC shall pay to the concerning investor's interest @15% p.a. for</p>



	<p>such number of days beyond the specified period of 30 days.</p> <p>Dividends will be paid net of taxes as may be applicable, and payments will be in favour of the Unit holder's registered name or, if there is more than one registered holder, of the first named registered holder on the original application form. The Trustees may not declare a dividend at all in the event of inadequacy of distributable income. There is no assurance or guarantee to unit holders as to the periodicity of dividend and rate of dividends distribution.</p> <p>All benefits accruing/earned/received under the Scheme(s) in respect of income (not included in NAV), capital reserves and surpluses, if any, at the time of its/their declaration or otherwise under the Scheme shall be available only to the Unit holders who hold units at the time of its/their declaration.</p> <p>Since distribution of dividend and /or bonus units shall be paid from the distributable surplus, the NAV of the Scheme(s) shall be adjusted to the extent of dividend paid and/or bonus issued.</p>
<p><b>Redemption</b></p>	<p><b>Repurchase Procedure</b></p> <p>After the expiry of lock-in period, the units of the Scheme(s) can be repurchased (sold back to the Fund) on any business day. The repurchase request can be made on Application Form/Common Transaction form or by using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement, which should be submitted at any of the Official Point of Acceptance. Where the date of redemption is a non- business day, the deemed date for such redemption will be the next business day.</p> <p>In case the units are standing in the names of more than one unit holder, where mode of holding is specified as "jointly", repurchase requests will have to be signed by all the joint holders. However, in cases of holding specified as 'either/anyone or survivor', any one of the joint holders (in case of either/anyone or survivor) will have the power to make repurchase request. However, in all cases, the repurchase proceeds will be paid to the sole/first named holder only.</p> <p>In case a unit holder has subscribed to units on more than one Business Day (either through continuation in case of existing unit holder, or through subsequent subscriptions), the units subscribed to prior in time (that is those units which have been held for the longest period of time), will be deemed to have been repurchased first, that is on a First -In -First-Out basis. However, a unit holder may request the Fund to repurchase units subscribed by him/her at different dates, by indicating the specific date of subscription of the units, which is offered for repurchase.</p> <p>The repurchase request can be made by specifying the Rupee amount or by specifying the number of units to be repurchased. If a repurchase request is for both a specified Rupee amount and a specified number of units, the specified rupee amount will be considered the definitive request. If only the repurchase amount is specified by the unit holder, the AMC will divide the repurchase amount so specified by the applicable NAV based price to arrive at the number of units. The request for repurchase of units could also be in fractions, up to three decimal places.</p> <p>If the number of Units held by the Investor as per the records maintained by AMC and/or the Registrar is less than the number of Units requested to be redeemed then, all the Units held by the Unit holder in such folio / Scheme / plan for which application for Redemption is made, shall be redeemed.</p>

Provided that, where redeem 'all' is specified in the request, all Unit holdings in that Scheme shall be redeemed.

The AMC reserves the right to change the minimum repurchase amount on a prospective basis subject to SEBI Regulations. Unit holders may also request for repurchase of their entire holding and close the account by indicating the same at the appropriate place in the Transaction Slip/Repurchase form.

#### **Repurchase Price**

The repurchase price will be calculated using the following formula:

Repurchase Price = Applicable NAV\*(1 – Exit Load, if any).

Example for calculation of Repurchase Price

If the Applicable NAV is ₹11.25 and a 1.00% exit load is charged the repurchase price will be calculated as follows:

Repurchase Price = ₹11.25 x (1-1.00% of ₹11.25)

= ₹11.25 - ₹0.1125

= ₹11.1375 per unit

The repurchase price shall not be lower than 93% of the NAV.

The AMC reserves the right to modify the exit load or levy a different exit load for any individual(s) or group of investors. However, any such change in the load structure shall be only on a prospective basis. The unit holder is requested to confirm the applicable exit load at the time of investment from the AMC/OPT.

#### **Repurchase by NRI's/ FIIs**

Credit balances in the account of an NRI/FII will be subject to any procedures laid down by the RBI. Such repurchase proceeds will be paid by means of a rupee cheque payable to the designated NRE/ NRO account of the unit holder or by a US dollar (or any other currency) draft drawn at the exchange rates prevailing at that time and subject to RBI procedures and approvals and subject to deduction of tax at source, as applicable. All bank charges in connection with such payment will have to be borne by the unit holder and/or the Scheme(s) by way of ongoing expenses. The Fund will not be liable for any delays or for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.

#### **Payment of Repurchase Proceeds**

The time limit set for dispatch of repurchase proceeds will be from the Business Day when the request is accepted at the Official Point of Acceptance. As per the SEBI Regulations, the Fund shall mail the repurchase proceeds within ten Business Days from the date of acceptance of valid request at any of the Official Point of Acceptance, in case of a repurchase request being sent by post.

In the event of failure to dispatch the repurchase or repurchase proceeds within the statutory period specified above as per the SEBI Regulations, the AMC shall be liable to pay interest to the unit holders at such rate (currently 15% per annum) as may be specified by SEBI for the period of such delay.

#### **Electronic Credit Clearing Services (ECS) Identified Banks**

ECS is a facility offered by RBI for facilitating better customer service by direct credit of dividend or repurchase amount to a unit holder's bank account through electronic credit. This helps in avoiding loss of dividend or repurchases warrant in transit or fraudulent encashment. The Fund will endeavour to arrange such facility for payment of dividend/repurchase



proceeds to the unit holders. However, this facility is optional for the unit holders. Repurchase proceeds may be released through the ECS facility to unit holders residing in any of the cities where such a facility is available. In order to avail the above facility, the unit holder will have to give a written request to the Registrar. If the unit holder has opted for the ECS facility his/her bank branch will directly credit the amount due to them in their account whenever the payment is through ECS. The Registrar will send a separate advice to the unit holder informing them of the direct credit. It may be noted that there is no commitment from the Fund that this facility will be made available to the unit holders for payment of dividend/repurchase proceeds. While the Fund will endeavour in arranging the facility it will be dependent on various factors including sufficient demand for the facility from unit holders at any centre, as required by the authorities. In places where such a facility is not available or if the facility is discontinued by the Fund for any reason the repurchase warrants will be mailed to the unit holder.

#### **Unit holder's Bank Account Details**

Unit holders are on a mandatory basis required to mention their bank account details in their applications/ requests for redemption. Redemption Cheques and/or any other instruments will then be made out in favour of the Bank for crediting the respective unit holder's account so specified.

The normal processing time may not be applicable in situations where such details are not provided by unit holders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

Further, in accordance with AMFI communication no. 135/BP/26/11-12 dated March 21, 2012, following process vis-à-vis change in bank mandate is being followed effective May 1, 2012 (effective date) -

#### **I. Change in Bank Mandate**

1. Updation of Bank Account in Customer's Folio shall be either through "Multiple Bank Account Registration Form" or a standalone separate "Change of Bank Mandate Form";
2. In case of standalone change of bank details, documents as entailed below should be submitted as a proof of new bank account details. Based on PAMC's internal risk assessment, PAMC may also consider collecting proof of old bank account and proof of identity of the clients, while effecting the change of bank account;
3. Customers are advised to register multiple bank accounts and choose any of such registered bank accounts for receipt of redemption proceeds;
4. Any unregistered bank account or new bank account forming part of redemption request shall not be entertained or processed;
5. Such Investors, who have not already provided bank mandate at the time of making investment, are required to submit proof of new bank account details as entailed here below. Such Investors are also required to submit valid Proof of Identity as prescribed under KYC guidelines along with Proof of Investment; and
6. Any change of Bank Mandate request received/processed few days prior to submission of a redemption request or on the same day as a standalone change request, PAMC will continue to follow cooling period of 10 calendar days for validation of the same.

Investors are required to submit any one of the following documents in Original or produce originals for verification or copy attested by the Bank –

	<p><b>New Bank Account Registration</b></p> <ul style="list-style-type: none"> <li>- Cancelled original cheque of new bank mandate with first unitholder name and bank account number printed on the face of the cheque; OR</li> <li>- Self - attested copy of bank statement; OR</li> <li>- Bank Passbook with current entries not older than 3 months; OR</li> <li>- Letter from the bank on its letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager/authorised personnel.</li> </ul> <p>AND Proof of Identity as prescribed under KYC guidelines along with Proof of Investment - only for such investors who have not registered their bank mandate at the time of making investment.</p> <p><b>Change in Existing Bank Mandate</b></p> <ul style="list-style-type: none"> <li>- Cancelled original cheque with first unitholder name and bank account number printed on the face of the cheque; OR</li> <li>- Original bank account statement or pass book; OR</li> <li>- Original letter issued by the Bank on the letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager; OR</li> <li>- In case such Bank account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account.</li> </ul> <p><b>Closure of Unit holder's Account</b></p> <p>Unit holders may note that the AMC at its sole discretion may close a unit holder's account after giving notice of 45 days, if at the time of any part repurchase, the value of units (represented by the units in the unit holder's account if such repurchase were to take place, valued at the applicable NAV related price), falls below the minimum investment/balance required for each scheme(s) (or such other amount as the AMC may decide from time to time) or where the units are held by a unit holder in breach of any Regulation.</p>
<p><b>Delay in payment of redemption / repurchase proceeds</b></p>	<p>The Asset Management Company shall be liable to pay interest to the unitholders at such rate as repurchase proceeds may be specified by SEBI for the period of such delay (presently @ 15% per annum).</p>
<p><b>The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same.</b></p>	<p>Presently the AMC does not intend to reissue the repurchased units. The trustee reserves the right to reissue the repurchased units at a later date after issuing adequate public notices and taking approvals, if any, from SEBI.</p>
<p><b>Restriction on Third Party Payments for subscription of Mutual Fund Units and Registration of Multiple Bank Accounts</b></p>	<p><b>Third Party Payments for subscription of Units</b></p> <p>Applications for subscription in Schemes of Principal Mutual Fund shall not be accepted when accompanied with *Third Party payments, except in the following situations:</p> <ul style="list-style-type: none"> <li>• Payment by Parents / Grand-Parents / related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding ₹50,000/- (each regular purchase or per SIP installment). However, this limit of ₹ 50,000/- will not be applicable for payments made by a Guardian whose name is registered in the records of Principal Mutual</li> </ul>

Fund for the concerning Folio;

- Payment by Employer on behalf of employee under Systematic Investment Plan(s) through Payroll deductions;
- Custodian on behalf of FII or a client.
- Payment by AMC to a Distributor empanelled with it on account of commission/incentive etc. in the form of Mutual Fund Units of the Funds Managed by AMC through SIP or lump sum/one time subscription.

\*Third Party Payment shall mean those payment made through instruments issued from an account other than that of the beneficiary investor. However, in case of payments from a joint bank account the first holder of the mutual fund folio should be one of the joint holders of the bank account from which payment is made.

In case of exceptional situations stated above, following additional documents shall be mandatorily enclosed along with the Subscription application:

- a) KYC Acknowledgement Letter for Investor (Guardian in case of Minor) and the Person making the payment.
- b) "Third Party Declaration Form" from the Investor (Guardian in case of Minor) and the person making the payment, giving details of the bank account from which the payment is made and the relationship with the Beneficiary Investor(s). (Declaration Format shall be available at any of our Investor Service Centre or on [www.principalindia.com](http://www.principalindia.com))

Investor along with the subscription application must provide the details of his pay-in bank account (i.e. account from which a subscription payment is made) and his pay-out bank account (i.e. account into which redemption / dividend proceeds are to be paid). Investor shall also have the facility to register multiple bank accounts as detailed in the section below on "Multiple Bank Accounts". Only Pay-in from such registered bank accounts shall be treated as First party payments.

Additionally, in case of following mode of payments below stated documents should be enclosed with the subscription application:

- a) **Pay Order, Demand Draft, Banker's Cheque and the like:** Certificate from the Issuing Banker, stating the Account holder's name and the Account number which has been debited for issue of such instrument.
- b) **Pay Order, Demand Draft, Banker's Cheque and the like issued against cash by the Bank [for an investment amount less than ₹50,000/- only]:** Certificate from the Banker giving name, address and PAN (if available) of the person who has requested for the demand draft.
- c) **Payment vide RTGS, NEFT, ECS, Bank Transfer, etc:** copy of the instruction to the bank stating the account number debited must accompany the purchase application.

In such instance, where, post verification it is found that the payment, in any mode, is not made from a registered bank account or is made from an account where the first named unit holder is not an Account holder / one of the account holder in case of Joint Bank Account, the AMC/R&T, reserves the right to reject the transaction / subscription application, without any liability.

Additionally, in order to prevent fraudulent practices, Investors are urged to make the payment instruments (cheque / Demand draft / Pay Order etc.)

favouring “XYZ Scheme A/c. First Investor Name” OR “XYZ Scheme A/c. Permanent Account Number” OR “XYZ Scheme A/c. Folio Number”.

**Multiple Bank Accounts:**

Unitholders shall have the facility to register multiple bank accounts at folio level - upto a maximum of 5 Bank Accounts in case of Individual and HUF Investor and 10 Bank Accounts in case of Non Individual Investor. Such facility can be availed by submitting duly filled in “Multiple Bank Account Registration form” at the Investor Service Centre closest to you, along with copy of any one of the following documents:

- a) cancelled cheque leaf of the bank account which has to be registered [the account number and name of the first unitholder should be printed on the cheque leaf];
- b) Bank Statement / Pass Book with the account number, name of the Unitholder and Address;
- c) Bank letter / certificate on its letter head certifying the account holder’s name, account number and branch address [Such letter / certification should be certified by the Bank Manager with his / her full name, signature, employee code.]

**Investors should also present the Original of the above Document submitted along with the subscription application, and such original document shall be returned across the Counter post due verification**

Subsequent, to successful registration of multiple bank accounts, Investors can select any of the registered bank accounts in the application form for the purpose of subscriptions, redemption and dividend proceeds. Investor shall also have the option to register any one of their account as a default bank account for credit of redemption /dividend proceeds.

Further an Investor may also opt to delete a registered default bank account; however, such deletion of a default bank account shall be permitted only if the Investor registers another registered account as a default account and the same shall be in accordance with the procedure as stated in the section titled “change in bank mandate”.

In the event of rejection of such registration application for any reason, the redemption / dividend proceeds shall be processed as per specified service standards and the last registered bank account information in the records of Registrar & Transfer Agent - Karvy Computershare Private Limited, will be relied upon and used for such payments.

It is clarified that in case of Change of Bank Account along with Redemption application submitted by the Investor, the redemption proceeds shall be credited to the said bank account only if it is a registered bank account in the records of R&T.

However, if the new bank account is not one of the registered bank accounts, the redemption proceeds shall be credited to such new bank account post completion of the cooling off period as prescribed by AMFI and within regulatory prescribed timelines.

Restrictions, if any, on the right to freely retain or dispose of units being offered.

## **RIGHT TO LIMIT REPURCHASES**

The AMC may, in the general interest of the unit holders of the Scheme(s), keeping in view the unforeseen circumstances/unsure conditions, limit the total number of units which may be repurchased on any Business Day to 15% of the total number of units of the Scheme(s) (or such higher percentage as the AMC may decide in any particular case). Any units which by virtue of these limitations are not repurchased on a particular Business Day will be carried forward for repurchase to the next Business Day, in order of receipt. Repurchases so carried forward will be priced on the basis of the Repurchase Price of the Business Day on which repurchase is made. Under such circumstances, to the extent multiple repurchase requests are received at the same time on a single Business Day, repurchase will be made on pro-rata basis, based on the size of each repurchase request, the balance amount being carried forward for repurchase to the next Business Day(s).

## **POSSIBLE DEFERRAL OF REDEMPTION/ REPURCHASE REQUESTS**

Whilst every effort will be made to ensure that the Scheme will have sufficient liquidity to enable the repurchase cheques to be collected/dispatched within the deadline stated in the foregoing clause, unit holders should note that where the Scheme is obliged to arrange for the disposal of the underlying securities/borrow, in order to satisfy redemption/repurchase requests, unit holders may experience some delays in receiving repurchase cheques, reflecting the time involved in settling the underlying sales of securities/borrowing. However in any case, the Fund will ensure that the collection/dispatch of repurchase cheques is not delayed beyond ten working days (when Principal Mutual Fund is open for business) from the date of receipt of the repurchase request in accordance with Regulation 53(b) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

## **SUSPENSION OF SALE/REPURCHASE/SWITCH OPTIONS OF THE UNITS**

The Fund at its sole discretion reserves the right to withdraw sale, repurchase and/or switch of the units under the scheme(s), temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable. However, the suspension of sale/repurchase/switch either temporarily or indefinitely will be made applicable only after the approval of the Board of Directors of the AMC and Trustee. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.

The sale, repurchase and switch of the units may be temporarily suspended under any or all of the following conditions :

- If the stock/money markets stop functioning or trading is restricted
- Under uncertain conditions when the market (capital/stock/money etc. become extremely volatile and the AMC so decides in the best interest of the unit holders)
- Declaration of war or occurrence of insurrection, civil commotion or any other serious or sustained financial, political or industrial emergency or disturbance or any natural calamity
- In extreme cases or complete breakdown or dislocation of business in the financial markets.
- Breakdown in the means of communication used for the valuation of investments in the Scheme(s), without which the value of the securities held in the Scheme(s) cannot be accurately calculated.
- In the event of any force majeure or disaster that affects the normal

	<p>functioning of the AMC or the ISC</p> <ul style="list-style-type: none"> <li>- SEBI by order so permits</li> <li>- During the period of Book Closure/Record Date</li> <li>- On a requisition made by three-fourth of the unit holders.</li> <li>- If AMC views that enhancement in the size of the corpus further may prove detrimental to the existing unit holders of the Scheme(s).</li> </ul>
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### C. PERIODIC DISCLOSURES

<p><b>Net Asset Value</b></p> <p>This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>	<p>The Mutual Fund shall declare the Net asset value of the scheme(s) on every business day on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9.00 p.m. (<i>time limit for uploading NAV as per applicable guidelines</i>) and also on their website.</p> <p>In case of delay, the reasons for such delay would be explained to AMFI in writing. NAVs would however be endeavoured to be made available before commencement of business hours of the following business day, failing which a press release explaining the material reasons for non-availability would be released. In the event NAV cannot be calculated and/or published because of suspension of trading on the BSE/NSE/RBI, during the existence of a state of emergency and/or a breakdown in communications, the AMC may suspend calculation and/or publication of NAV etc. of the units.</p>
<p><b>Half yearly Disclosures: Portfolio / Financial Results</b></p> <p>This is a list of securities where the corpus the scheme is currently invested. The market value of these investments is also stated in the language of the region where the head office of the mutual fund is located portfolio disclosures.</p>	<p>The Mutual fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located.</p> <p>The mutual fund may opt to send the portfolio statement to all unit holders in lieu of the advertisement (if applicable).</p>
<p><b>Half Yearly Results</b></p>	<p>The fund shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated. In addition the Fund shall mail / email (if any e-mail address is provided with the consent of the unit holder) or publish the complete portfolio to the investors before the expiry of one month from 31st March and 30th September each year. These shall also be displayed on the website of the Mutual Fund and that of AMFI.</p>
<p><b>Annual Report</b></p>	<p>A link to Annual Report or Abridged Summary of the Annual Report will be available on AMC's website <a href="http://www.principalindia.com">www.principalindia.com</a> and a link in this regard shall also be available on the website of AMFI i.e. <a href="http://www.amfiindia.com">www.amfiindia.com</a>. Annual Report / Abridged Annual Report shall be sent by way of an e-mail link to the Investor's registered e-mail address or physical copies (if investor's e-mail address is not registered), not later than four months after the close of each financial year.</p> <p>Such Unitholders who have mentioned their e-mail address will receive the Annual Report/Abridged Summary of Annual Report only by e-mail and not in physical copy. However, Investors who have mentioned their e-mail address but still wish to receive physical copy of the Annual Report, may do so by submitting written request at any of our OPT.</p> <p>Physical Copy(ies) of Annual Report will be available for inspection at the Head Office of the AMC at all times.</p>



<b>Associate Transactions</b>	Please refer to Statement of Additional Information (SAI).		
<b>Taxation (updated with the amendments of Finance Bill' 2012)</b>  The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.	<b>Particulars</b>	<b>Resident Investors</b>	<b>Mutual Funds</b>
	Tax on Distributed Income	Nil	Not subject to DDT
	<b>Capital Gain<sup>1</sup> &amp; ** :</b>		
	Long Term Capital Gain	Nil	Nil
	Short Term Capital Gain	15% *	Nil
<sup>1</sup> Investors may be subject to Minimum Alternate Tax / Alternate Minimum Tax under section 115JB of the Act / Section 115JC (proposed by the Finance Bill, 2012) respectively.  * Plus surcharge at the rate of 5% for a domestic company, if applicable, and Education Cess at the rate of 2% on income-tax and surcharge and Secondary and Higher Education Cess at the rate of 1% on income-tax and surcharge.  ** This chart is prepared on assumption that the investment in units of Mutual Fund would be characterised as capital assets in the hands of the unit holder.  Where the Fund receives any income from investments made in overseas jurisdiction, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received.  As the income of the fund is exempt from tax in India, credit / refund in respect of such foreign taxes may not be available in India.  Upon redemption of the units, securities transaction tax would be payable by the unitholders @ 0.25% of the redemption price.  For further details on taxation please refer to the clause on Taxation in the SAI.			
<b>Investor services</b>	For any enquiries and/or queries or complaints in respect of any terms and conditions of/investments in the Scheme(s), the investors are advised to address a suitable communication to AMC and marked to the attention of Head Customer Services - Mr. Hariharan Iyer at customer@principalindia.com.  Written communications may also be forwarded to Principal Mutual Fund at Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra(East), Mumbai – 400 051 India alternatively faxed at +91 22 67720512.  Our customer service executives can also be reached at the following contact:- 1800 425 5600		

#### D. COMPUTATION OF NAV

The NAV of the Scheme(s) at any time shall be determined by dividing the net assets of the Scheme by the number of outstanding units on the valuation date.

$$\text{NAV per unit} = \frac{(\text{Market / Fair Value of Securities} + \text{Accrued Income} + \text{Receivables} + \text{other assets} - \text{Accrued Expenses} - \text{payables-other liabilities})}{\text{Number of Outstanding Units}}$$

## No. of units outstanding of the scheme / option

The NAV will be calculated up to two decimals. The NAVs will be declared on every Business Day by 9.00 p.m.

The computation of Net Asset Value, valuation of assets, computation of applicable Net Asset Value (related price) for repurchase, switch and their frequency of disclosure shall be based upon a formula in accordance with the Regulations and as amended from time to time including by way of Circulars, Press Releases, or Notifications issued by SEBI or the Government of India to regulate the activities and growth of Mutual Funds.

The dividend paid on units of the Scheme(s) Fund shall be deducted in computing the NAV of the Scheme(s), each time a dividend is declared and till it is distributed.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

## SECTION V FEES AND EXPENSES

This section outlines the expenses that will be charged to the Schemes

### A. ANNUAL SCHEME RECURRING EXPENSES

The AMC has estimated the below mentioned expenses expressed as a percentage to the daily average net assets of the Scheme(s) which will be charged to the Scheme(s) as expenses.

The estimated expenses under the Scheme, is as per the table below:

Nature of Expenses	% of average daily net assets
Investment Management and Advisory Fees	1.25
Trustee Fees	0.01
Custodian Fees/Depository Charges	0.10
Registrar and Transfer Agent Fees	0.11
Costs related to investor communications, costs of Fund transfer from one location to another, cost of providing account statements and dividend repurchase cheques and warrants, costs of statutory advertisements.	0.18
Marketing and Selling Expenses	0.75
Audit Fees	0.10
<b>Total Annual Recurring Expenses</b>	<b>2.50</b>

These estimates have been made in good faith by the AMC as per the information available to AMC –the investment manager, based on the past experience and are subject to change inter-se. The expenses may be more than as specified in the table above, but the total recurring expenses that can be charged to the Scheme(s) will be subject to limits prescribed from time to time under the SEBI Regulations. Expenses over and above the permissible limits will be borne by the AMC and/or the Trust and/ or the sponsor. The purpose of the above table is to assist the unitholder in understanding the various costs and expenses that a unitholder in the Scheme(s) will bear directly or indirectly. Expenses over and above the limits prescribed under the SEBI Regulations shall be borne by the AMC.

As per the SEBI Regulations, the maximum recurring expenses including the investment management and advisory fee that can be charged to the Scheme(s), shall be subject to a percentage limit of Average Weekly net assets as given in the table below:

First ₹100 Crs	Next ₹300 Crs	Next ₹300 Crs	Balance Assets
2.50	2.25	2.00	1.75

As per the SEBI Regulations, the AMC is entitled to an Investment Management and Advisory fee at the rate of 1.25% per annum of the Weekly average net assets outstanding in each accounting year for the Scheme(s), as long as the net assets do not exceed ₹100 crore and 1.00% of the excess amount over ₹100 crore, where net assets so calculated exceed ₹100 crore.



Subject to the SEBI Regulations and this Document, expenses over and above the prescribed ceiling will be borne by the AMC and/or by Sponsor and/or Trust. The Fund shall strive to reduce the level of these expenses so as to keep them well within the maximum limits currently allowed by SEBI and any revision in the said expenses limits by SEBI would be applicable.

## **B. LOAD STRUCTURE & TRANSACTION CHARGES**

### **Load Structure –**

<b>.TYPE OF LOAD:</b>	<b>LOAD CHARGEABLE (AS %AGE OF NAV) (INCLUDING SIP / STP/SWP)</b>
<b>Entry Load:</b>	Not Applicable
<b>Exit Load</b>	Nil

In case if the date of redemption is a holiday / non business day, the deemed date will be the next business day. Load on switch will be same as entry/exit load applicable for the respective Scheme(s).

E.g. Repurchase Price = Applicable NAV(\*1-Exit Load, if any).

Therefore, the Repurchase Price would be ₹11.25 x (1-1.00% of ₹11.25) = ₹11.1375.

In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009, inter alia no entry load will be charged by the Fund with effect from August 01, 2009.

Upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN holder.

Further, with effect from August 01, 2009, exit load/ CDSC (if any) up to 1% of the redemption value charged to the unit holder by the Fund on redemption of units shall be retained by the scheme in a separate account and will be utilized for payment of commissions to the ARN Holder and to meet other marketing and selling expenses. Any amount in excess of 1% of the redemption value charged to the unit holder as exit load/ CDSC shall be credited to the scheme immediately.

Bonus Units and units issued on reinvestment of dividends shall not be subject to exit load.

Load on switch out will be same as exit load applicable to the respective schemes.

The AMC reserves the right to change/modify exit / switchover load / CDSC, depending upon the circumstances prevailing at any given time on the prospective investments as permissible under the SEBI Regulations.

The repurchase price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV. However, the difference between the repurchase price and sale price shall not exceed 7% on the sale price, without any discrimination to any specific group of unit holders. However, any change at a later stage shall not affect the existing unit holders adversely.

The AMC reserves the right to change/modify exit/switchover load (including zero load), depending upon the circumstances prevailing at any given time. A load structure when introduced by the AMC may comprise of an exit load and/or switchover load as may be permissible under the SEBI Regulations. The load may also be changed from time to time and in the case of an exit load this may be linked to the period of holding, while in case of entry load this may be linked to the amount of investment. The switchover load may be different for different plans/options and the switchover load may be different from the exit load charged for sale and/or repurchase units. The load charged could also be different as regards the amount/tenor of investment, etc. However, any imposition/enhancement or change in load structure shall be applicable on prospective investment only. The addendum shall be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Documents and abridged Scheme Information Documents already in stock. The addendum will be circulated to unit holders along with/included in the newsletter sent to unit holders. Further arrangement will be made to make available the changes in the load structure in the form of a notice/any other manner in/at all the investor service centers/distributors/brokers office. Applicable load will be disclosed in the account statement/transaction confirmation statement. The introduction of the exit load/ CDSC along with the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC.

No exit load shall be chargeable on any transaction/s made by any "Fund of Funds Scheme/s" managed by Principal Pnb Asset Management Company Pvt. Ltd. or managed by any other Asset Management Company, in any of the existing schemes (or any scheme/s launched from time to time unless specified otherwise) of Principal Mutual Fund.

Load Structure is variable and is subject to change from time to time, in alignment with the provisions of the relevant SEBI Regulations / Guidelines. The investor is requested to check the prevailing load structure of the scheme(s) before investing. The same is also hosted/updated on the Principal website -[www.principalindia.com](http://www.principalindia.com) or an investor may call at (1800 425 5600) or his/her distributor.

For any change in load structure AMC will issue an addendum detailing the changes and will display it on the website. A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.

The AMC may also:

- (i) Attach the Addendum to Scheme Information Documents and Key Information Memorandum or circulate the same to distributors/brokers so that the same can be attached to all Scheme Information Documents and key information memoranda already in stock.
- (ii) Arrange to display the addendum in the Scheme Information Document in the form of a notice in all the investor service centres and distributors/brokers office.
- (iii) Stamp Introduction of exit load/ CDSC alongwith the details in the acknowledgement slip issued to the investors on submission of the application form and may disclose it in the statement of accounts issued after the introduction of such load/CDSC.
- (iv) take other measures which it may feel necessary.

### **Transaction Charges –**

In accordance with SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, Principal Pnb Asset Management Company Private Limited (PAMC) /Principal Mutual Fund(PMF) shall deduct Transaction Charges on purchase / subscription received from the Investors through Distributors/Agents (who have opted to receive the transaction charges) as under:

(i) **First Time Mutual Fund Investor (across Mutual Funds):** Transaction charge of ₹150/- for subscription of ₹10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the first time investor and the balance shall be invested.

First time investor in this regard shall mean an Investor who invests for the first time ever in any Mutual Fund either by way of Subscription or Systematic Investment Plan.

(ii) **Investor other than First Time Mutual Fund Investor:** Transaction charge of ₹100/- per subscription of ₹ 10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the investor and the balance shall be invested.

However, Transaction Charges in case of investments through Systematic Investment Plan (SIP) shall be deducted only if the total commitment (i.e. amount per SIP installment x No. of installments) amounts to ₹10,000/- or more. The Transaction Charges shall be deducted in 3-4 installments.

(iii) **Transaction charges shall not be deducted for:**

- purchases /subscriptions for an amount less than ₹10,000/-;
- transaction other than purchases/ subscriptions relating to new inflows such as Switch/ Systematic Transfer Plan/Sweep facility under the Dividend Option of the Scheme(s) etc.;
- purchases/subscriptions made directly with the Fund (i.e. not through any Distributor/Agent);
- transactions routed through Stock Exchange route.

Statement of Account issued to such Investors shall state the net investment as gross subscription less transaction charge and mention the number of units allotted against the net investment.

Further, in accordance with SEBI Circular No. SEBI/IMD/CIR/No.4/168230/09 dated June 30, 2009, upfront commission to Distributors/Agents shall continue to be paid by the Investor directly to the Distributor/Agent by a separate cheque based on his assessment of various factors including the service rendered by the Distributor/Agent.

## **SECTION VI RIGHTS OF UNITHOLDERS**

Please refer to Statement of Additional Information for details.

**SECTION VII . PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY.**

*This section shall contain the details of penalties, pending litigation, and action taken by SEBI and other regulatory and Govt. Agencies.*

1.	Penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.	Nil
2.	In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.	Nil
3.	Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.	Nil
4.	Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.	*As mentioned below
5.	Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.	Nil

\* There is a legal case filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to the purchase of certain shares at SBI Mutual Fund. These proceedings have been filed against several persons then engaged with SBI Mutual Fund, including Mr. Rajat Jain – Chief Investments Officer of the Applicant who was at that time engaged with SBI Mutual Fund. These proceedings are pending as on date and no orders so far have been passed.

**Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

## Offices of Principal Pnb Asset Management Company Private Limited Identified as Official Point of Acceptance / Investor Service Centres

• **Mumbai:** Exchange Plaza, 'B' wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 • **Ahmedabad:** 401, Broadway Business Centre, Opp. Samarsheshwar Mahadev Temple, Law Garden Cross Road, Ellisbridge, Ahmedabad-380 006 • **Asansol:** Safe Savings, Street No.1, House No.2, Hindustan Park, Asansol - 713 304 • **Bangalore:** Sigma Trident, 11/2, 1st Floor, Hayes Road, Off. Richmond Road, Bangalore-560 025 • **Bhubaneswar:** Plot No: B-15, Arihant Plaza, 2nd Floor, Sahid Nagar, Bhubaneswar-751 007 • **Chandigarh:** SCO 455-56, 2nd Floor, Sector-35 C, Chandigarh-160 022 • **Chennai:** 305, Challamal Complex, 3rd Floor, 11 Thiyagaraya Road, Chennai-600 017 • **Cochin:** 2nd Flr., Mayur Business Center, Pullepady Junction, Chittor Road, Cochin-682 035 • **Goa\*:** C/o Advani Business Center, Neelkamal Arcade, CL -13, Atmaram Borkar Road, Panjim, Goa- 403 001 • **Hyderabad:** White House, 503, 5th Floor, Block No. 1, Begumpet, Hyderabad-500 016 • **Indore:** 222, 2nd Floor, City Center, 570, M.G. Road, Indore-452 001 • **Jaipur:** 305-B, 3rd Floor, Shyam Anukampa Complex, Ashok Marg, C-Scheme, Jaipur-302 001 • **Kanpur:** 118-119, Kan Chambers, Near Stock Exchange Building, 14/113 Civil Lines, Kanpur-208 001 • **Kolkata:** Block No. 503, SHUBHAM, 5th Floor, 1, Sarojini Naidu Sarani, Kolkata-700 017 • **Lucknow:** Sky Hi Chambers, S-205, 2nd Floor, 11/5, Park Road, Lucknow-226 001 • **New Delhi:** Alps Building, 1st Floor, 56 Janpath, New Delhi-110 001 • **Pune:** Unit No: 103 & 104, 1st Floor, Rainbow Plaza, Opp. Modern Highschool, Jangali Maharaj Road, Shivaji Nagar, Pune - 411 005 • **Surat:** 206 Jolly Plaza, Athwagate, Surat-395 001 • **Vadodara:** 103, Paradise Complex, Sayajigunj, Vadodara-390 005

\*Note: These locations are not Official Point of Acceptance.

## Centres of Karvy Computershare Private Limited (R&T to Principal Mutual Fund) which have been identified as Official Point of Acceptance:

• **Agra:** Deepak Wasan Plaza, Behind Holiday Inn, Opp. Megdoot Furnitures, Sanjay Place, Agra-282 002 • **Ahmedabad:** 201-202, Shail Buildings, Opp. Madhusudhan House, Off. C. G. Road, Nr. Navrangpura, Telephone Exchange, Ahmedabad-380 006 • **Ajmer:** 1, 2nd Floor, Ajmer Tower, Kutchary Road, Ajmer-305 001 • **Aligarh:** 1st Floor, Kumar Plaza, Aligarh-202 001 • **Allahabad:** RSA Towers, 2nd Floor, Above Sony TV Showroom, 57, S.P. Marg, Civil Lines, Allahabad-211 001 • **Amritsar:** 72-A, Taylor's Road, Aga Heritage Gandhi Ground, Amritsar-143 001 • **Anand:** F-6, Chitrangana Complex, Opp. Motikaka Chawl, V.V. Nagar, Anand-388 001 • **Aurangabad:** Shop No. 214/215, Tapadiya City Centre, Nirala Bazar, Aurangabad-431 001 • **Bangalore:** No. 51/25, 1st Floor, Surya Building, Ratna Avenue, Richmond Road, Bangalore-560 025 • **Bankura:** Ambika Market, Natunganj, Bankura-722 101 • **Bareilly:** 1st Floor, 165, Civil Lines, Opp. Hotel Bareilly Palace, Near Rly. Station Road, Bareilly-243 001 • **Belgaum:** Fk-1, Ambedkar Road, Opp. Civil Hospital, Belgaum-590 001 • **Bharuch:** Gr. Floor, Office No-6, Aditya Complex, Opp. Kasak Temple, Bharuch-392 001 • **Bhatinda:** 2048, 1st Floor, Opp. Canara Bank, The Mall Road, Bhatinda-151 001 • **Bhavnagar:** Surabhi Mall, 301, 3rd Floor, Waghawadi Road, Bhavnagar-364 001 • **Bhilai:** No.138, New Civic Centre, Bhilai-490 006 • **Bhopal:** Kay Kay Business Centre, 133, Zone 1, M.P. Nagar, Bhopal-462 011 • **Bhubaneswar:** Plot No- 104/105(P), Jaydev Vihar, Besides Hotel Pal Heights, Bhubaneswar-751 013 • **Bikaner:** 2nd Floor, Plot No 70 & 71, Panchshati Circle, Sardul Gunj Scheme, Bikaner-334 003 • **Bokaro:** B-1, 1st Floor, Near Sona Chandi Jewellers, City Centre, Sector-4, Bokaro Steel City, Bokaro-827 004 • **Burdwan:** 495, B.C. Road, Beside Proyojoni, Burdwan-713 101 • **Calicut:** 2nd Floor, Sowbhagya Shopping Complex, Mavoor Road, Calicut-673 004 • **Chandigarh:** SCO 371-372, 1st Floor, Above HDFC Bank, Sector 35-B, Chandigarh-160 022 • **Chennai:** Flat No. F11, 1st Floor, Akshya Plaza, Erstwhile Harris Road, Opp. Chief City Metropolitan Court, # 108, Adhithanar Salai, Egmore, Chennai-600 002 • **Cochin:** Building No. 39, Ali Arcade, 1st Floor, Near Atlantis Junction, Kizhvana Road, Panampili Nagar, Cochin-682 036 • **Coimbatore:** 29/1, 1st Floor, Chinthamani Nagar, Opp. Indian Overseas Bank, N.S.R. Road, Saibaba Colony, Coimbatore-641 011 • **Cuttack:** Dargha Bazar, Opp. Dargha Bazar Police Station, Buxibazar, Cuttack-753 001 • **Dalhousie:** 19, R.N. Mukherjee Road, 2nd Floor, Dalhousie, Kolkatta-700 001 • **Dehradun:** Kaulagarh Road, Near Sirmaur Marg, Above Reliance Webworld, Dehradun-248 001 • **Dhanbad:** 208, New Market, 2nd Floor, Katras Road, Bank More, Dhanbad-826 001 • **Durgapur:** Old Dutta Automobiles Building, 1st Floor, Nachan Road, Benachity, Durgapur-713 213 • **Erode:** No. 4, KMY Salai, Veerappan Traders Complex, Opp. Erode Bus Stand, Sathy Road, Erode-638 003 • **Faridabad:** A-2B, 1st Floor, Nehru Ground, Neelam Bata Road, Nit, Faridabad-121 001 • **Ghaziabad:** 1st Floor, C-7, Lohia Nagar, Ghaziabad-201 001 • **Gorakhpur:** Above V.I.P. House, Adjacent A.D. Girls Inter College, Bank Road, Gorakhpur-273 001 • **Gurgaon:** Shop No. 18, Gr. Floor, Sector-14, Opp. AKD Tower, Near Huda Office, Gurgaon-122 001 • **Guwahati:** 54 Sagarika Bhawan, R. G. Baruah Road, Guwahati-781 024 • **Gwalior:** Shindi Ki Chawani, Nadi Gate Pul, M.L.B. Road, Gwalior-474 001 • **Hubli:** 8 & 9, Upper Gr. Floor, C Block, Akshaya Park, Gokul Road, Hubli-580 029 • **Hyderabad:** 8-2-596 Karvy Plaza, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 • **Indore:** G-7, Royal Ratan Building, M.G. Road, Opp. Kotak Mahindra Bank, Indore-452 001 • **Jabalpur:** 43, Naya Bazar, Opp. Shyam Talkies, Jabalpur (M.P.)-482 001 • **Jaipur:** S-16 A, 3rd Floor, Land mark, Opposite Jaipur Club, Mahavir

Marg, C-Scheme, Jaipur-302 001 • **Jalandhar:** Lower Gr. Floor, Office No. 3, Arora Prime Tower, Plot No : 28, G.T. Road, Jalandhar-144 004 • **Jalgaon:** 148, Navi Peth, Opp. Vijaya Bank, Near Bharat Dudhalay, Jalgaon-425 001 • **Jammu:** 29 D/C, Green Belt Park, Near Service Selection Commission Office, Gandhi Nagar, Jammu-180 004 • **Jamnagar:** 108 Madhav Plaza, Opp. SBI Bank, Near Lal Bangalow, Jamnagar-361 001 • **Jamshedpur:** Kanchan Tower, 3rd Floor, Chhaganlal Dayalji & Sons, 3-S B Shop Area, Main Road, Bistupur, Jamshedpur-831 001 • **Jodhpur:** 203, Modi Arcade, Chupasni Road, Jodhpur-342 001 • **Junagadh:** 124/125, Punit Shopping Center, Ranavat Chowk, Junagadh-362 001 • **Kanpur:** 15/46, Opp. Muir Mills, Civil Lines, Kanpur-208 001 • **Kolkata:** 166A, Rash Behari Avenue, Kolkata-700029 • **Kolhapur:** 610-A, A.K. Vardhaman Chambers, 2nd Lane, Shahupuri, Kolhapur-416 001 • **Kota:** H.No. 29, First Floor, Near Lala Lajpat Rai Circle, Shopping Centre, Kota-324 007 • **Kottayam:** 1st Floor, CSI Ascension Church Complex, Kottayam-686 001 • **Lucknow:** Usha Sadan, 24, Prem Nagar, Ashok Marg, Lucknow - 226 001. • **Ludhiana:** SCO-3, Bawa Building, Feroze Gandhi Market, Ludhiana-141 001 • **Madurai:** Rakesh Towers, 30-C, Bye Pass Road, 1st Floor, Opp. Nagappa Motors, Madurai-625 010 • **Malda:** Sahistuli Under Ward No. 6, English Bazar, Municipality, No. 1 Govt. Colony, Malda-732 101 • **Mangalore:** Mahendra Arcade, Gr. Floor, Karangalapani, Kodialbail, Managalore-575 003 • **Meerut:** 1st Floor, Medi Centre Complex, Opp. ICICI Bank, Hapur Road, Meerut-250 002 • **Mehsana:** U L 47 Apollo Enclave, Opp. Simandhar Temple, Modhera Cross Road, Mehsana - 384 002. • **Moradabad:** Om Arcade, Parker Road, Above Syndicate Bank, Tari Khana Chowk, Moradabad-244 001 • **Mumbai:** Fort: Office No. 01/04, 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Behind Bombay Stock Exchange, Fort, Mumbai-400001 • **Borivali:** Gr. Floor, Himanshu Bldg., Sodawala Lane, Chandawarkar Road, Borivali (West), Mumbai-400 092. • **Thane:** 1st Floor, Jeevan Chaya Bldg, Near Adidas Show Room, Ram Maruti Road, Thane (W)-400 601 • **Muzaffarpur:** 1st Floor, Uma Market, Near Thana Gumti, Motijheel, Muzaffarpur, Bihar-842 001 • **Mysore:** L-350, Silver Tower, Clock Tower, Ashoka Road, Mysore-570 001 • **Nadiad:** 105 GF City Point, Near Paras Cinema, Nadiad-387 001 • **Nagpur:** Sadoday Arcade, Above Top N Town, Dharampeth, Nagpur - 440 001 • **Nasik:** S-12, 2nd Floor, Suyojit Sankul, Sharanpur Road, Nasik-422 002 • **Navsari:** 1st Floor, Chinmay Arcade, Opp. Sattapir, Tower Road, Navsari-396 445 • **New Delhi:** 2E / 23, Jhandewalan Extn., New Delhi-110 055 • **Noida:** 307 Jaipuria Plaza, D-68-A, 2nd Floor, Opp. Delhi Public School, Sector 26, Noida-201 301 • **Panipat:** 1st Floor, Krishna Tower, Near HDFC Bank, Opp. Railway Road, G.T. Road, Panipat-132 103 • **Panjim:** City Business Centre, Coelho Pereira Building, Room Nos. 18, 19 and 20, Dada Vaidya Road, Panjim-403 001 • **Patiala:** SCO 27-D, Chhoti Baradari, Patiala-147 001 • **Patna:** 3A, 3rd Floor, Anand Tower, Beside Chankya Cinema Hall, Exhibition Road, Patna-800 001 • **Pondicherry:** 1st Floor, No.7, Thiagarajar Street, Pondicherry-605 001 • **Pune:** Shop No. 16, 17 & 18, Gr. Floor, Shreenath Plaza, Dnayneshwar Paduka Chowk, F.C.Road, Pune-411 004 • **Raipur:** Room No: TF-31, 3rd Floor, Millennium Plaza, Behind Indian Coffee House, G.E Road, Raipur-492 001. • **Rajkot:** 104, Siddhi Vinayak Complex, Dr. Yagnik Road, Opp. Ramkrishna Ashram, Rajkot-360 001 • **Ranchi:** Commerce Towers, 3rd Floor, Room No. 307, Beside Mahabir Towers, Main Road, Ranchi-834 001 • **Rourkela:** 1st Floor, Sandhu Complex, Kanchery Road, Udit Nagar, Rourkela-769 012 • **Salem:** 49 / 50, Fort Main Road Old No.17, 1st Floor, Shevapet, Salem-636 002 • **Shillong:** Mani Bhawan, Thana Road, Lower Police Bazar, Shillong-739 001 • **Shimla:** Triveni Building, By Pas Chowk, Khallini, Shimla-171 002 • **Siliguri:** Nanak Complex, Near Church Road, Sevoke Road, Siliguri-734 401 • **Surat:** G-16, Empire State Building, Nr. Udhna Darwaja, Ring Road, Surat-395 009 • **Tirunelveli:** Jeney Building, 55/18, S. N. Road, Near Arvind Eye Hospital, Tirunelveli-627 001 • **Trichur:** 2'nd Floor, Brother's Complex, Near Dhana Laxmi Bank Head Office, Naikkanal Junction, Trichur-680 001 • **Trichy:** 60 Srikrishna Arcade, 1st Floor, Thennur High Road, Trichy-621 017 • **Trivandrum:** 2nd Floor, Akshaya Towers, Sasthamangalam, Trivandrum-695 010 • **Udaipur:** 201-202, Madhav Chambers, Opp. G. P. O., Chetak Circle, Madhuban, Udaipur-313 001 • **Vadodara:** Piccadilly, Office # 5, 1st Floor, Opp. Adani Super Market, Jetalpur Road, Vadodara-390 007 • **Valsad:** Shop No. 2, Phiroza Corner, ICICI Bank Char Rasta, Tithal Road, Valsad-396 001 • **Vapi:** Shop No. 5, Phikhaji Residency, Opp. DCB Bank, Vapi Silvassa Road, Vapi-396 195 • **Varanasi:** D-64/132, KA, 1st Floor, Anant Complex, Sigra, Varanasi-221 001 • **Vellore:** No.1, M.N.R. Arcade, Officer's Line, Krishna Nagar, Vellore-632 001 • **Vijayawada:** 39-10-7 Opp. Municipal Water Tank, Labbipet, Vijayawada-520 010 • **Visakhapatnam:** 47-14-5/1 Eswar Paradise, Dwaraka Nagar, Main Road, Visakhapatnam-530 016 • **Warangal:** 5-6-95, 1st Floor, Opp. B.Ed Collage, Lashkar Bazar, Chandra Complex, Hanmakonda, Warangal-500 601.

*In addition to above, in case of Principal Personal Tax Saver Fund, all Eligible Brokers/Clearing Members/Depository Participants as defined in the SID will be considered as the Official Point of Acceptance for the transactions preferred through the MFSS.*

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**Name, Address and Website of Registrar:**

**Karvy Computershare Pvt. Ltd. (Unit: Principal Mutual Fund), 'Madhura Estates', Municipal No.1-9/13/C, Plot No.13 & 13-C, Survey No.74 & 75, Madhapur Village, Ranga Reddy District, Hyderabad-500 081.**

• Tel.: (040) 2331 2454. • [www.karvycomputershare.com](http://www.karvycomputershare.com)

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## SCHEME INFORMATION DOCUMENT

Principal Debt Savings Fund	(An Open Ended Income Fund)
Principal Income Fund	(An Open – Ended Income Scheme)
Principal Debt Opportunities Fund	(An Open – Ended Debt Scheme)
Principal Cash Management Fund	(An Open – Ended Liquid Scheme)
Principal Bank CD Fund	(An Open – Ended Debt Scheme)
Principal Retail Money Manager Fund	(An Open – Ended Liquid Scheme)
Principal Government Securities Fund	(An Open – Ended dedicated Gilt Scheme investing in Government Securities)

Continuous offer for Units at NAV based prices

<b>Name of Mutual Fund</b>	Principal Mutual Fund
<b>Name of Asset Management Company</b>	Principal Pnb Asset Management Company Private Limited
<b>Name of Trustee Company</b>	Principal Trustee Company Private Limited

**Address, Website of the Entities:**

<b>Principal Mutual Fund</b>	<b>Address:</b> Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 <b>Website:</b> <a href="http://www.principalindia.com">www.principalindia.com</a> <b>Email:</b> <a href="mailto:customer@principalindia.com">customer@principalindia.com</a> <b>Toll Free No.:</b> 1800 425 5600 <b>Fax No. –</b> (022) 67720512
<b>Principal Pnb Asset Management Company Private Limited</b>	
<b>Principal Trustee Company Private Limited</b>	

**The particulars of the Scheme(s) have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from Principal Pnb Asset Management Company Pvt. Ltd. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.**

The Scheme Information Document sets forth concisely the information about the scheme(s) that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Principal Mutual Fund, Tax and Legal issues and general information on [www.principalindia.com](http://www.principalindia.com)

SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated June 4, 2012.

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## SECTION I - HIGHLIGHTS/SUMMARY OF THE SCHEME(S)

<b>Principal Debt Savings Fund (An open ended Income Fund)</b>		
<b>Highlights/Summary of the Scheme(s)</b>	<b>Monthly Income Plan</b> <i>(Monthly income is not assured and subject to availability of distributable surplus)</i>	<b>Retail Plan</b>
<b>Investment Objective</b>	To generate regular income through investments in fixed income securities so as to make periodical income distribution to the Unitholders and also to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments.	To generate regular income through investments in fixed income securities so as to make periodical income distribution to the Unitholders and also to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments and has been designed to cater to investors seeking a slightly more aggressive exposure to equity markets.
<b>Investment Strategy</b>	To achieve the investment objective, assets under the Plan will be invested in wide range of fixed income and money market instruments. The Plan may also invest a small part of its assets in equity/equity related instruments including units of equity mutual fund schemes. Further the Plan may also invest in financial derivatives such as options and futures & IRS that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.	To achieve the investment objective, assets under the Plan will be invested in wide range of fixed income and money market instruments. The Plan may also invest a small part of its assets in equity/equity related instruments including units of equity mutual fund schemes. Further the Plan may also invest in financial derivatives such as options and futures & IRS that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.  Retail Plan will have a separate portfolio from that of Monthly Income Plan. However each of the investment options under Monthly Income Plan & Retail Plan will share a common portfolio.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices.</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request. However, under normal circumstances, the Mutual Fund will endeavour to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p> <p>The Scheme also provides switch facility to move from/to other open ended Schemes of Principal Mutual Fund and interse between the Plan(s)/Option(s) on an ongoing basis at applicable NAV based prices.</p>	



Benchmark	CRISIL MIP Blended Index
Transparency / NAV Disclosure	<p>The NAV will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>
Loads (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)	<p><b>Entry Load:</b> Not Applicable</p> <p><b>Exit Load:</b> If redeemed on or before 1 year from the date of allotment – 1%</p>
Minimum Application Amount (New Investor)	₹5,000/- and any amount thereafter under each option
Minimum Application Amount (Existing Investor)	₹500/- and any amount thereafter under each option
Minimum Amount under Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP)	Minimum six installments of ₹500/- each
Minimum Redemption Amount	₹500/- or 50 units
Investment Plan(s)/Option(s)	<p>Monthly Income Plan and Retail Plan are two investment plans having separate portfolios. Both offer Dividend and Growth Option.</p> <p>Dividend Option offers the facility of Payout, Reinvestment and Sweep (into an open ended scheme), while Growth Option offers Auto Earning Payout and Accumulation facility. Dividend Option offers the frequency of Monthly and Quarterly payouts.</p> <p>Effective October 21, 2011 fresh subscriptions in any mode (including Systematic Investment Plan [SIP] / Systematic Transfer Plan [STP]) under the Dividend Option to the Retail Plan are not accepted. The same may however be open and available for subscription at a later date.</p> <p>Further w.e.f. October 21, 2011 subscription applications (SIP/STP) under the Retail</p>

	Plan are restricted only for individual investors (including HUFs, Association of Persons & where an individual is an ultimate beneficiary).					
Asset Allocation Pattern	Under normal circumstances, the asset allocation would be as follows:			Under normal circumstances, the asset allocation would be as follows:		
	Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile	Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile
	Debt & Money Market Instruments (including Securitised Debt upto 50%)	Upto 100%	Low to medium	Debt Securities (including Securitized Debt upto 50%)	Upto 100%	Low to medium
	Equity and Equity Related Instruments (including units of Equity Mutual Fund Schemes)	Upto 15%	Medium to High	Equity and Equity Related Instruments (including units of Equity Mutual Fund Schemes)	Upto 25%	Medium to High
	Investment in derivatives shall be upto 35% of the net assets of the Scheme. Investment in ADRs / GDRs shall be not exceeding 15% of the Scheme’s assets. Investment in Overseas Financial Debt Instruments including units of Overseas Mutual Funds shall not be exceeding 25% of the Scheme’s assets.  Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.			Investment in derivatives shall be upto 35% of the net assets of the Scheme.  Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.		
Fund Manager	Fund Manager(s) - Mr. Rajat Jain & Mr. Pankaj Jain Asst. Fund Manager – Mr. Anupam Tiwari					

Principal Income Fund (An open – ended income scheme)		
Highlights/Summary of the Scheme(s)	Long Term Plan	Short Term Plan
<b>Investment Objective</b>	To generate regular income and capital appreciation/ accretion through investment in debt instruments and related securities besides preservation of capital.	To generate regular income and capital appreciation/ accretion through investment in debt instruments and related securities besides preservation of capital and has been designed to achieve stable returns over shorter-term investment horizons.
<b>Investment Strategy</b>	The Plan will aim to invest its assets in	The Plan aims to invest its assets in a

	a portfolio of debt instruments and related securities of government, quasi-government, corporate issuers and money market instruments with varying risks – rated investment grade or higher or otherwise comparable (if not rated).	portfolio of debt instruments and related securities of government, quasi-government, corporate issuers and money market instruments (rated investment grade or higher or other-wise comparable, if not rated) with average residual maturity of upto 36 months and varying risks.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices. As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request. However, under normal circumstances, the Mutual Fund will endeavour to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p> <p>The Scheme also provides switch facility to move from/to other open ended Schemes of Principal Mutual Fund and interse between the plan(s) /option(s) on an ongoing basis at applicable NAV based prices.</p>	
<b>Benchmark</b>	CRISIL Composite Bond Fund Index	CRISIL Short Term Bond Fund Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)</b>	<p><b>Entry Load:</b> Not applicable</p> <p><b>Exit Load:</b> If redeemed on or before 1 year from the date of allotment – 1%</p>	<p><b>Entry Load:</b> Not applicable</p> <p><b>Exit Load:</b> If redeemed on or before 6 months from the date of allotment – 0.50%.</p>
<b>Minimum Application Amount (New Investor)</b>	₹5,000/- and any amount thereafter under each option	₹5,000/- and any amount thereafter under each option
<b>Minimum Application Amount (Existing Investor)</b>	₹500/- and any amount thereafter under each option	₹500/- and any amount thereafter under each option

Minimum Amount under Systematic Investment Plan (SIP) /Systematic Transfer Plan (STP / Systematic Withdrawal Plan (SWP)	Minimum Six installments of ₹500/- each	Minimum Six installments of ₹500/- each																					
Minimum Redemption Amount	₹500/- or 50 units	₹500/- or 50 units																					
Investment Plan(s)/Option(s). [Both the Plans under the Scheme will have a separate portfolio]	Both the Plan i.e. Long Term Plan and Short Term Plan will have separate portfolio. Dividend and Growth Option.  <b><u>Frequency / facilities under Dividend Option:</u></b> Quarterly & Annual Dividend - Payout, Reinvestment and Sweep facility.	Dividend and Growth Option.  <b><u>Frequency / facilities under Dividend Option:</u></b> Monthly Dividend - Payout, Reinvestment and Sweep facility.																					
Asset Allocation Pattern	Under normal circumstances, the asset allocation would be as follows: <table border="1"> <thead> <tr> <th>Types of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr> </thead> <tbody> <tr> <td>Debt Securities</td><td>Upto 100%</td><td>Low to Medium</td></tr> <tr> <td>Money Market Instruments</td><td>Upto 100%</td><td>Low</td></tr> <tr> <td>Securitized Debt</td><td>Upto 50%</td><td>Low to Medium</td></tr> </tbody> </table> Investment in derivatives shall be upto 35% of the net assets of the Scheme. Investment in Overseas Financial Debt Instruments including units of Overseas Mutual Funds shall not be exceeding 25% of the Scheme's assets.  Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Debt Securities	Upto 100%	Low to Medium	Money Market Instruments	Upto 100%	Low	Securitized Debt	Upto 50%	Low to Medium	Under normal circumstances, the asset allocation would be as follows: <table border="1"> <thead> <tr> <th>Types of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr> </thead> <tbody> <tr> <td>Debt Securities (including securitised debt upto 50%)</td><td>Upto 100%</td><td>Low to Medium</td></tr> <tr> <td>Money Market Instruments</td><td>Upto 100%</td><td>Low</td></tr> </tbody> </table> Investment in derivatives shall be upto 35% of the net assets of the Scheme.  Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Debt Securities (including securitised debt upto 50%)	Upto 100%	Low to Medium	Money Market Instruments	Upto 100%	Low
Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile																					
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Money Market Instruments	Upto 100%	Low																					
Fund Manager	Fund Manager - Mr. Pankaj Jain	Fund Manager - Mr. Pankaj Jain  Asst. Fund Manager – Mr. Gurvinder Singh Wasan																					

Principal Debt Opportunities Fund (an open – ended debt scheme)		
Highlights/Summary of the Scheme(s)	Conservative Plan	Corporate Bond Plan
Investment Objective	To generate regular income & capital appreciation through investments in debt securities and money market instruments.	The primary objective is to generate income and capital gains through investments in a portfolio of securities issued by Private and Public Sector

		Companies.
<b>Investment Strategy</b>	The net assets of the Plan will be invested in money market and debt instruments. The fund will seek to optimize the risk return proposition for the benefit of investors. The investment process will focus on macro-economic research, credit risk and liquidity management. The fund will maintain a judicious mix of cash, short term and medium term instruments based on the mandates of the Plan. As part of credit risk assessment, the fund will also apply its credit evaluation process besides taking guidance from ratings of rating agencies. In order to maintain liquidity, the fund will maintain a reasonable proportion of the Plan's investments in relatively liquid investments.	The Plan will invest primarily in Debt & Money Market securities issued by Private and Public sector companies. The Investment manager will be taking calls on interest rates and credit while making investments in such securities. The average maturity profile of the portfolio may reach up to 5 years. The Investment Manager will take active strategic and tactical positions with key source of returns being Interest Rates and Credit.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices. As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request. However, under normal circumstances, the Mutual Fund will endeavour to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p> <p>The Scheme also provides switch facility to move from/to other open ended Schemes of Principal Mutual Fund and inter se between the Plans(s)/ Option(s) on an ongoing basis at applicable NAV based prices.</p>	
<b>Benchmark</b>	CRISIL Liquid Fund Index	CRISIL Composite Bond Fund Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads (including Systematic Investment Plans / Systematic Transfer Plan / Systematic</b>	<b>Entry Load:</b> Not applicable <b>Exit Load:</b> Nil	From the date of allotment if redeemed any time - • Upto 12 months - 2% • From 12 months and upto 24 months - 1%

Withdrawal Plan if available)		• After 24 months - Nil																				
Minimum Application Amount (New Investor)	₹5,000/- and any amount thereafter under each option	₹5,000/- and any amount thereafter under each option																				
Minimum Application Amount (Existing Investor)	₹1000/- and any amount thereafter under each option	₹1000/- and any amount thereafter under each option																				
Minimum Amount under Systematic Investment Plan (SIP) /Systematic Transfer Plan (STP / Systematic Withdrawal Plan (SWP)	Minimum Six installments of ₹500/- each	SIP - Minimum Six installments of ₹1000/- each SWP/STP - Minimum Six installments of ₹500/- each																				
Minimum Redemption Amount	₹500/- or 50 units	₹500/- or 50 units																				
Investment Plan(s)/Option(s)	Dividend and Growth Option.  <u>Frequency / facilities under Dividend Option:</u> Daily & Weekly Dividend – Reinvestment Facility  Monthly Dividend - Payout, Reinvestment and Sweep facility.	Dividend and Growth Option.  <u>Frequency / facilities under Dividend Option:</u> Monthly Dividend - Payout, Reinvestment and Sweep facility.																				
Asset Allocation Pattern	Under normal circumstances, the asset allocation would be as follows: <table><tr><th>Types of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Debt &amp; Money Market Instruments (including cash &amp; CBLO)</td><td>Up to 100%</td><td>Low to Medium</td></tr></table> Investment in Securitised Debt may be up to 50% of the net assets of the Scheme. The Scheme may also invest up to 50% of net assets of the Scheme in such derivative instruments as may be introduced from time to time for the purpose of hedging and portfolio balancing and other uses as may be permitted under the SEBI (Mutual Funds) Regulations, 1996.  Subject to the SEBI Regulations, the Mutual Fund may deploy up to 50% of its total net assets of the Scheme in Stock Lending.  The Plan will have an average maturity of upto 370 days.	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Debt & Money Market Instruments (including cash & CBLO)	Up to 100%	Low to Medium	Under normal circumstances, the asset allocation would be as follows: <table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Min imum</th><th>Maxi mum</th></tr><tr><td>Debt and Money Market Instruments issued by Private and Public sector companies including Commercial Papers and *Securitised Debt</td><td>70%</td><td>100%</td><td>Medium to High</td></tr><tr><td>CBLO, T-bills and units of Liquid / Money Market / Debt Mutual Fund Scheme(s).</td><td>0%</td><td>30%</td><td>Low to Medium</td></tr></table>	Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Min imum	Maxi mum	Debt and Money Market Instruments issued by Private and Public sector companies including Commercial Papers and *Securitised Debt	70%	100%	Medium to High	CBLO, T-bills and units of Liquid / Money Market / Debt Mutual Fund Scheme(s).	0%	30%	Low to Medium
Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile																				
Debt & Money Market Instruments (including cash & CBLO)	Up to 100%	Low to Medium																				
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		<p>*Investment in Securitized Debt may be up to 30% of its Net Assets.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy up to 50% of total net assets in Stock Lending.</p> <p>Average maturity of the portfolio will be maintained at or below 5 years.</p>
<b>Fund Manager</b>	<p>Fund Manager - Mr. Pankaj Jain Asst. Fund Manager – Mr. Gurvinder Singh Wasan</p>	

<b>Highlights/Summary of the Scheme(s)</b>	<b>Principal Cash Management Fund (an open – ended liquid scheme)</b>	<b>Principal Retail Money Manager Fund (an open – ended liquid scheme)</b>
<b>Investment Objective</b>	To provide investors with as high a level of income available from short-term investments as is considered consistent with preservation of capital and maintenance of liquidity, by investing in a portfolio of money market and investment grade debt instruments	To generate steady return by investing in debt and money market securities.
<b>Investment Strategy</b>	The scheme will invest its assets in a portfolio of money market instruments. The investments will be in securities, which the Investment Manager believes present minimal liquidity and/or credit risks.	The portfolio will be predominantly invested in overnight repo, CBLO, floating rate instruments and other fixed income instruments.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices. As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request. However, under normal circumstances, the Mutual Fund will endeavour to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p> <p>The Scheme also provides switch facility to move from/to other open ended Schemes of Principal Mutual Fund and interse between the option(s) on an ongoing basis at applicable NAV based prices.</p>	
<b>Benchmark</b>	CRISIL Liquid Fund Index	
<b>Transparency / NAV Disclosure</b>	<p>The NAV will be calculated by the AMC for each Calendar Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons</p>	

	<p>and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads (including Systematic Investment Plans / Systematic Transfer Plan / Systematic Withdrawal Plan if available)</b>	<b>Entry Load:</b> Not applicable <b>Exit Load:</b> Nil	<b>Entry Load:</b> Not applicable <b>Exit Load:</b> Nil
<b>Minimum Application Amount (New Investor)</b>	₹5,000/- and any amount thereafter under each option	₹5,000/- and any amount thereafter under each option
<b>Minimum Application Amount (Existing Investor)</b>	₹1000/- and any amount thereafter under each option	₹1000/- and any amount thereafter under each option
<b>Minimum Amount under Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP)</b>	<p>For STP/SWP: Minimum Six installments of ₹ 500/- each.</p> <p>SIP is not available under the Scheme</p>	<p>For STP/SWP: Minimum Six installments of ₹500/- each.</p> <p>SIP is not available under the Scheme</p>
<b>Minimum Redemption Amount</b>	₹1000/- or 100 units.	₹1000/- or 100 units
<b>Investment Plan(s)/Option(s)</b>	<p>Dividend and Growth Option.</p> <p><b><u>Frequency / facilities under Dividend Option:</u></b></p> <p>Daily &amp; Weekly Dividend – Reinvestment Facility</p> <p>Monthly Dividend - Payout, Reinvestment and Sweep facility.</p>	<p>Dividend and Growth Option.</p> <p><b><u>Frequency / facilities under Dividend Option:</u></b></p> <p>Daily &amp; Weekly Dividend – Reinvestment Facility</p> <p>Monthly Dividend - Payout, Reinvestment and Sweep facility.</p> <p>(Note: Effective October 21, 2011 fresh subscriptions in any mode (including Systematic Investment Plan [SIP] / Systematic Transfer Plan [STP]) under Daily &amp; Weekly Dividend Option and Payout &amp; Sweep facility to Monthly Dividend Option under the Scheme. The same may however be open and available for subscription at a later date.</p> <p>Further w.e.f. October 21, 2011 subscription applications (SIP/STP) under the Scheme are restricted only for individual investors (including HUFs, Association of Persons &amp; where an individual is an ultimate beneficiary).</p>



Asset Allocation Pattern	Under normal circumstances, the asset allocation would be as follows:			Under normal circumstances, the asset allocation would be as follows:		
	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Type of instrument	Normal Allocation (% of Net Assets)	Risk Profile
	Call / Term Money / Repos / Reverse Repos / Deposits with Banks	Upto 100%	Low to medium	Debt Instruments & Money Market Instruments (Including MIBOR linked instruments with daily put and call option)	Upto 100%	Low to Medium
	Bill Re-discounting	Upto 50%	Low to medium			
	Other equivalent Money Market Instruments	Upto 100%	Very Low			
	Debt (including Securitised Debt) instruments other than those above	Upto 50%	Low to medium			
	The Scheme may upto 35% of the net assets of the Scheme invest in Derivatives. The Scheme may also invest in Overseas financial debt instruments including units of overseas mutual funds not exceeding than 25% of the net assets of the Scheme.			Investment in Securitised Debt may be up to 50% of the net assets of the Scheme.		
Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.			The Scheme may also invest up to 50% of net assets of the Scheme in such derivative instruments as may be introduced from time to time for the purpose of hedging and portfolio balancing and other uses as may be permitted under the SEBI (Mutual Funds) Regulations, 1996.			
Pursuant to the SEBI circular dated January 19, 2009 the Scheme can make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only.			Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.			
Pursuant to the SEBI circular dated January 19, 2009 the Scheme can make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only.			Pursuant to the SEBI circular dated January 19, 2009 the Scheme can make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only.			
Fund Manager	Mr. Pankaj Jain					

<b>Highlights/Summary of the Scheme(s)</b>	<b>Principal Bank CD Fund</b> <i>(an open ended debt scheme)</i>	<b>Principal Government Securities Fund</b> <i>(an open ended dedicated gilt scheme investing in government securities)</i>
<b>Investment Objective</b>	The objective is to generate returns by primarily investing in Bank CDs. Bank CDs provide liquidity and a relatively lower credit risk.	To generate returns through investment in sovereign securities and thus provide capital gains and income distribution to its Unit holders.

<b>Investment Strategy</b>	<p>The scheme will primarily invest in Certificate of Deposits issued by Banks. Bank CDs tend to carry higher credit quality. Bank CDs help the investors who are seeking exposure to money market while taking relatively lower credit risk and aiming to generate reasonable returns.</p>	<p>To achieve the investment objective, assets under the Scheme will be invested solely in government securities. However to meet temporary liquidity needs the Scheme may invest in overnight call money /notice money/bank deposits and/or repos. The Scheme may also invest a part of its assets in financial derivatives such as options and futures &amp; IRS (comprising of government securities) that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.</p>
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices. As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request. However, under normal circumstances, the Mutual Fund will endeavour to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p> <p>The Scheme also provides switch facility to move from/to other open ended Schemes of Principal Mutual Fund and inter se between the option(s) on an ongoing basis at applicable NAV based prices.</p>	
<b>Benchmark</b>	CRISIL Liquid Fund Index	I-Sec Composite Index
<b>Transparency / NAV Disclosure</b>	<p>The NAV will be calculated by the AMC for each Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. every Business Day.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, a press release shall be issued giving reasons and explaining when the AMC would be able to publish the NAVs.</p> <p>The AMC shall, before the expiry of one month from the close of each half year, i.e. March and September, publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head office of the Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI. Full portfolio in the prescribed format shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.</p>	
<b>Loads (including Systematic Investment Plans /</b>	<p><b>Entry Load:</b> Not applicable</p> <p><b>Exit Load:</b> If redeemed on or before 6</p>	<p><b>Entry Load:</b> Not applicable</p> <p><b>Exit Load:</b> 1% if redeemed on or</p>

Systematic Transfer Plan / Systematic Withdrawal Plan if available)	months from the date of allotment – 0.25%	before 365 days from the date of allotment.																								
Minimum Application Amount (New Investor)	₹5,000/- and any amount thereafter under each option	₹5,000/- and any amount thereafter under each option.																								
Minimum Application Amount (Existing Investor)	₹1000/- and any amount thereafter under each option	₹500/- and any amount thereafter under each option																								
Minimum Amount under Systematic Investment Plan (SIP)/Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP)	SIP - Minimum Six installments of ₹1000/- each  SWP/STP - Minimum Six installments of ₹500/- each	Minimum Six installments of ₹ 500/- each																								
Minimum Redemption Amount	₹1000/- or 100 units	₹500/- or 50 units																								
Investment Plan(s)/Option(s)	Dividend and Growth option.  <b><u>Frequency / facilities under Dividend Option:</u></b> Monthly Dividend - Payout, Reinvestment and Sweep facility.	Dividend and Growth Option.  <b><u>Frequency / facilities under Dividend Option:</u></b> Quarterly & Annual Dividend - Payout, Reinvestment and Sweep facility.																								
Asset Allocation Pattern	Under normal circumstances, the asset allocation would be as follows: <table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Bank CDs</td><td>0%</td><td>90%</td><td>Medium to High</td></tr><tr><td>Repo, CBLO, Units of Money Market / Liquid Funds</td><td>0%</td><td>90%</td><td>Low to Medium</td></tr><tr><td>Debt Instruments</td><td>10%</td><td>20%</td><td>Medium to High</td></tr></table>	Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Bank CDs	0%	90%	Medium to High	Repo, CBLO, Units of Money Market / Liquid Funds	0%	90%	Low to Medium	Debt Instruments	10%	20%	Medium to High	Under normal circumstances, the asset allocation would be as follows: <table><tr><th>Type of Instrument</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Government Securities</td><td>Upto 100%</td><td>Low to Medium</td></tr></table>  Investment in derivatives shall be upto 35% of the net assets of the Scheme.	Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile	Government Securities	Upto 100%	Low to Medium
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Fund Manager	Fund Manager - Mr. Pankaj Jain  Asst. Fund Manager – Mr. Gurvinder Singh Wasan	Mr. Pankaj Jain																								

## SECTION II. INTRODUCTION

### A. RISK FACTORS

#### Standard Risk Factors:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.

- As the price / value / interest rates of the securities in which the scheme(s) invests fluctuate, the value of your investments in the scheme(s) may go up or down. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme(s).
- Principal Debt Savings Fund, Principal Income Fund, Principal Debt Opportunities Fund, Principal Cash Management Fund, Principal Bank CD Fund, Principal Retail Money Manager Fund and Principal Government Securities Fund are only the names of the scheme(s) and do not in any manner indicate either the quality of the scheme(s) or their future prospects and returns.
- The sponsor or any of its associates including co-settlers are not responsible or liable for any loss resulting from the operation of the scheme(s) beyond the initial contribution of ₹25 lakhs made towards setting up the Fund.
- The present scheme(s) are not a guaranteed or assured return scheme(s).

**Specific Risk Factors [Applicable to all scheme(s)]:-**

**Risk Associated with Investing in Debt and/or Money Market Instruments-**

**Price-Risk or Interest-Rate Risk:** Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

**Credit Risk:** In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme(s) has invested in Government Securities, there is no credit risk to that extent.

**Re-investment Risk:** Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

**Interest Rate Movement (Basis Risk):** The changes in the prevailing rates of interest will likely affect the value of the Schemes' holdings until the next reset date and thus the value of the Schemes' Units will be affected. Increased rates of interest, which frequently accompany inflation and/ or a growing economy, are likely to have a negative effect on the value of the Units. The value of securities held by the Scheme(s) generally will vary inversely with changes in prevailing interest rates. The fund could be exposed to the interest rate risk (i) to the extent of time gap in resetting of the benchmark rates, and (ii) to the extent the benchmark index fails to capture the interest rate movement.

**Prepayments and Charge Offs Risk:** In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).

**Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However depending upon the market conditions the spreads may move adversely or favorably leading to fluctuation in NAV.

**Risk Associated with Investing in Equities & Units of Equity Mutual Fund Scheme(s) (applicable where the asset allocation pattern of the Scheme(s) provides such investment)**

- The value of Schemes' investments may be affected by factors affecting the Securities markets and price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies if the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the NAV of the units of the Scheme(s) may be affected.
- Equity & Equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the Scheme(s) may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme(s) to make intended securities purchases due to settlement problems could cause the Scheme(s) to miss certain investment

opportunities. Similarly, the inability to sell securities held in the Schemes' portfolio may result, at times, in potential losses to the Scheme(s), should there be a subsequent decline in the value of securities held in the Schemes' portfolio.

- The liquidity and valuation of the Schemes' investments due to the holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.
- Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options.
- The liquidity of the schemes' is inherently restricted by trading volumes in securities in which it invests.
- Investment decisions made by the Investment Manager may not always be profitable.

To the extent the underlying Mutual Fund Scheme(s) invest in Equity and Equity related Instruments, the Scheme(s) which shall invest in Equity Mutual Fund Schemes (where the asset allocation pattern of the Scheme(s) provides such investment) shall be affected by the afore mentioned risk factors. The Net Asset Value (NAV) of the units of the Scheme is likely to get effected on accounts of such risk factors. Any change in the investment policies or fundamental attributes of any underlying scheme is likely to affect the performance of the Scheme. Further, the liquidity of the Scheme's investments may be inherently restricted by the liquidity of the underlying schemes in which it has invested.

**Risks associated with Investing in Foreign Securities (applicable where the asset allocation pattern of the Scheme(s) provides such investment)**

Subject to necessary approvals and within the investment objectives, the Scheme(s) may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances.

It is the AMC's belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multimarket and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme(s). Since the Scheme(s) would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme(s). To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated under the Regulations or by RBI from time to time. The Scheme(s) may invest in ADR/GDR/Foreign Securities/overseas financial debt instruments including units of overseas mutual funds and / or other securities as may be permissible and described in SEBI Circular Reference No. SEBI/IMD/CIR No. 7/104753/07 dated September 26, 2007 as may be amended from time to time, within the overall applicable limits and within the Scheme(s) specific asset allocation pattern.

Overseas investments will be made subject to any/all approvals, conditions thereof as may be stipulated under the Regulations or by RBI and provided such investments do not result in expenses to the Scheme(s) in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The Fund may, where necessary, may appoint other intermediaries of repute as advisors, custodian/sub custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

To the extent that the assets of the Scheme(s) will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

**Risks associated with Investing in Derivatives (applicable where the asset allocation pattern of the Scheme(s) provides for such investment)**

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The AMC may use various derivative products, as permitted and within the limits prescribed by SEBI and the RBI from time to time, in an attempt to optimize the value of the portfolio and enhance Unit holder's interest/value of the Scheme(s). As and when the Scheme(s) trades in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. The Scheme(s) bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme(s). Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate in line with underlying assets, rates and indices.

Also, the market for derivative instruments is relatively nascent in India and does not have the volumes which may be seen in other developed markets, which may result in volatility to the values. Derivatives require the maintenance of adequate controls to monitor the transactions and the embedded market risks that a derivative adds to the portfolio. Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives.

Other risks in using derivatives include but are not limited to:

- (a) **Credit Risk** – this occurs when a counterparty defaults on a transaction before settlement and therefore the Scheme(s) is compelled to negotiate with another counter party, at the then prevailing (possibly unfavorable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides a guaranteed settlement but one takes the performance risk on the exchange.
- (b) **Market Liquidity risk** – this occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.
- (c) **Model Risk** - the risk of mispricing or improper valuation of derivatives.
- (d) **Basis Risk** – This risk arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

Trading in derivatives carry a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. The Scheme(s) may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme(s) may face a liquidity issue.

Interest Rate Swaps (IRS) are highly specialized instruments that require investment technique and risk analysis different from those associated with equity shares and other traditional securities. The use of a IRS requires not only an understanding of the referenced asset, reference rate, or index but also of the swap itself, without the benefit of observing the performance of the swap under all possible market conditions. Swap agreements are also subject to liquidity risk, which exists when a particular swap is difficult to purchase or sell. Swap agreements may be subject to pricing risk, which exists when a particular swap becomes extraordinarily expensive (or cheap) relative to historical prices or the prices of corresponding cash market instruments. IRS agreements are also subject to counterparty risk on account of insolvency or bankruptcy or failure of the counterparty to make required payments or otherwise comply with the terms of the agreement.

**Risks associated with investing in Securitised Debt (applicable where the asset allocation pattern of the Scheme(s) provides for such investment).**

The Scheme(s) may invest in domestic securitised debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). Asset Backed Securities (ABS) are securitised debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage Backed Securities (MBS) are securitised debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/ MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

At present in Indian market, following types of loans are securitised:

- Auto Loans (cars / commercial vehicles / two wheelers)
- Residential Mortgages or Housing Loans
- Consumer Durable Loans
- Personal Loans
- Corporate Loans

The main risks pertaining to each of the asset classes above are described below:

**Auto Loans (cars / commercial vehicles /two wheelers)**

The underlying assets (cars, commercial vehicles etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual. Commercial vehicle loans are susceptible to the cyclical nature in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

**Housing Loans**

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

**Consumer Durable Loans**

The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

**Personal Loans**

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money.

**Corporate Loans**

These are loans given to single or multiple corporates. The receivables from a pool of loans to corporates are assigned to a trust that issues Pass Through Certificates (PTCs) in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend of economic cycles.

**Further, all the above categories of loans have the following common risks:**

All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans. In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

**Risks associated with Short Selling and Securities Lending (applicable where the asset allocation pattern of the Scheme(s) provides for such investment).**

• **Short selling –**

Short-selling is the sale of securities that the seller does not own at the time of trading. Instead, he borrows it from someone who already owns it. Later, the short seller buys back the stock he shorted and returns the stock to close out the loan. If the price of the stock has fallen, he can buy the stock back for less than he received for selling it and profits from it (the difference between higher short sale price and the lower purchase price). However, Short positions carry the risk of losing money and these losses may grow theoretically unlimited if the price increases without limit and shall result into major losses in the portfolio. In addition, the short selling will also have the risk of inability to borrow the securities by the seller. Then, it might be possible that the short seller will be required to purchase the securities sold short to cover the short even if the price of the security is higher at the time of the short sale.

If a stock starts to rise and a large number of short sellers try to cover their positions at the same time, it can quickly drive up the price even further. This phenomenon is known as a short squeeze. This might result in major losses in the portfolio.

• **Securities Lending :**

It may be noted that Securities Lending activity would have the inherent probability of collateral value drastically falling in times of strong downward market trends or due to it being comprised of tainted/forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and /or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the Scheme(s). Besides, there can also be temporary illiquidity of the securities that are lent out and the Scheme(s) may not be able to sell such lent out securities.

*Risk factors specific to Principal Debt Savings Fund, Principal Income Fund – Long Term Plan & Short Term Plan, Principal Debt Opportunities Fund - Conservative Plan & Corporate Bond Plan, Principal Cash Management Fund, Principal Bank CD Fund, Principal Retail Money Manager Fund and Principal Government Securities Fund*

Principal Debt Savings Fund	Principal Income Fund – Long Term Plan & Short Term Plan	Principal Debt Opportunities Fund – Conservative Plan and Corporate Bond Plan
When interest rates fall, the price of a debt security rises and when interest rates rise, the price declines. In addition, the value of securities held by the Scheme may be affected by factors such as credit rating of the entity that issues the debt security and effective maturities of the debt securities. Lower quality and longer maturity debt securities will be subject to greater credit risk and price fluctuations than higher quality and shorter maturity debt securities. As with all Mutual Funds, if the units are redeemed when their value is less than the price paid for, money may be lost by the Unitholder. The value of the equity securities owned by the Scheme changes on a daily basis.	When interest rates fall, the price of a debt security rises and when interest rates rise, the price declines. In addition, the value of securities held by the Scheme may be affected by factors such as credit rating of the entity that issues the debt security and effective maturities of the debt securities. Lower quality and longer maturity debt securities will be subject to greater credit risk and price fluctuations than higher quality and shorter maturity debt securities. As with all mutual funds, if the units are redeemed when their value is less than the price paid for, money	When interest rates fall, the price of a debt security rises and when interest rates rise, the price declines. In addition, the value of securities held by the Scheme may be affected by factors such as credit rating of the entity that issues the debt security and effective maturities of the debt securities. Lower quality and longer maturity debt securities will be subject to greater credit risk and price fluctuations than higher quality and shorter maturity debt securities. As with all mutual funds, if the units are redeemed when their value is less than the price paid for, money



Equity security prices reflect the activities of individual companies and general market and economic conditions. In the short term, equity security prices can fluctuate dramatically in response to these factors.	may be lost by the Unitholder.	may be lost by the Unitholder.
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<b>Principal Cash Management Fund</b>	<b>Principal Bank CD Fund</b>	<b>Principal Retail Money Manager Fund</b>	<b>Principal Government Securities Fund</b>
As with all Mutual Funds, the value of the Scheme's asset may rise or fall. Although the Scheme seeks to preserve the value of an investment at face value per unit it is possible to lose money by investing in the Scheme if the units are redeemed when their value is less than the price paid for. The investment of capital in the scheme is therefore not guaranteed.	When interest rates fall, the price of a debt security rises and when interest rates rise, the price declines. In addition, the value of securities held by the Scheme may be affected by factors such as credit rating of the entity that issues the debt security and effective maturities of the debt securities. As with all mutual funds, if the units are redeemed when their value is less than the price paid for, money may be lost by the Unitholder.	As with all Mutual Funds, the value of the Scheme's asset may rise or fall. Although the Scheme seeks to preserve the value of an investment at face value per unit it is possible to lose money by investing in the Scheme if the units are redeemed when their value is less than the price paid for. The investment of capital in the scheme is therefore not guaranteed.	Prices of government securities rise and fall in response to a number of factors including events that impact entire financial markets or industries (for example, changes in inflation or consumer demand). The Securities purchased by the Scheme present greater degree of safety in terms of credit risk but may also involve greater interest rate risks. As a result, these securities may change in value. As the value of the securities owned by the Scheme changes, the Scheme unit price changes. In the short-term, the price can fluctuate dramatically. As with all mutual funds, if the values of the scheme's assets rise and fall, the Scheme unit price changes. If the units are redeemed when their value is less than the price paid for, money may be lost by the Unitholder.

## **RISK CONTROL**

Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. The risk control process involves reducing risks through portfolio diversification, taking care however not to dilute returns in the process. The AMC believes that this diversification would help achieve the desired level of consistency in returns. The AMC may also implement certain internal control procedures / risk & exposure limits etc., which may be varied from time to time.

The AMC aims to identify securities, which offer superior levels of yield at lower levels of risks. With the aim of controlling risks, rigorous in-depth credit evaluation of the securities proposed to be invested in, will be carried out by the investment team of the AMC.

The Scheme may also use various derivatives and hedging products from time to time, as would be available and permitted by SEBI/RBI, in an attempt to protect the value of the portfolio and enhance Unitholders' interest.

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## **B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME(S)**

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The Schemes/Plans shall have a minimum of 20 investors each and no single investor shall account for more than 25% of the corpus of the Scheme(s)/Plan(s). These conditions shall be complied with, in each calendar quarter on an average basis, as specified by SEBI. In case of non-fulfillment of the condition of 20 investors in a calendar quarter, the provisions of Regulation 39(2) (c) of the SEBI (MF) Regulations shall become applicable automatically without any reference from SEBI, and accordingly the Scheme(s) / Plan(s) shall be wound up and the units redeemed at the relevant applicable NAV. If there is breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be available and thereafter, the investor who is in breach of the rule shall be given 15 days' notice to redeem his exposure over the 25% limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

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## **C. SPECIAL CONSIDERATIONS**

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Investment in the Scheme(s) should be viewed by an investor/unit holder as a medium to long term investment as mutual funds carry normal market risks and there can be no assurance and no guarantee that the Scheme(s) will achieve its objective. It is recommended that an investment in the Scheme(s) should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all, as investment decisions made by the AMC will not always be profitable or prove to have been correct. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the schemes of Principal Mutual Fund, the Sponsor or its Group affiliates is not indicative of and does not guarantee the future performance of the scheme(s). The name of the Scheme(s) does not in any manner indicate the quality of the Scheme(s), its future prospects or the returns. The Scheme(s) is not intended as a complete investment program. Investors, therefore, are urged to study the terms of this offer carefully and consult their Investment Advisor before they invest in the Scheme(s). Investors'/unit holders' attention is drawn to the risk factors set out in the beginning of this Scheme Information Document and also to the following specific risks:

**Regulatory Risks:** Neither this SID nor the Units have been registered in any jurisdiction. The distribution of this SID in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this SID are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of this SID or any accompanying application form in such jurisdiction may treat this SID or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this SID does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this SID and any persons wishing to apply for Units pursuant to this SID to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

Prospective investors should review/study this SID along with SAI carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/investment matters and are advised to consult their own professional advisor(s) as to the legal or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale, transfer, switch or redemption or conversion into money) of Units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (sale, transfer, switch or redemption or conversion into money) of Units within their jurisdiction/of nationality, residence, domicile etc. or under the laws of any jurisdiction to which they or any managed Funds to be used to purchase/gift Units are subject, and (also) to determine possible legal, tax, financial or other consequences of subscribing/gifting to, purchasing or holding Units before making an application for Units.

No person has been authorized to give any information or to make any representations not confirmed in this SID in connection with the Offer of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the AMC or the Trustee. Statements made in this SID are

based on the law and practice currently in force in India and are subject to change therein. Neither the delivery of this SID nor any sale made hereunder shall, under any circumstances, create any impression that the information herein is correct as of any time subsequent to the date hereof.

**Performance Risk:** The value of (and income from) an investment in the Scheme(s) can decrease as well as increase, depending on a variety of factors, which may affect the values and income generated by a Scheme's portfolio of securities. The returns of a Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, changes in government and Reserve Bank of India policy, taxation, political, economic or other developments and closure of the stock exchanges. Investors should understand that the investment composition indicated for the Scheme(s), in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there can be no assurance that the Scheme's investment objective will be attained nor will the Scheme(s) be in a position to maintain the model percentage of investment pattern/composition particularly under exceptional circumstances such that the interest of the unit holders are protected.

The AMC will endeavor to invest in highly researched growth companies, however the growth associated with equities is generally high as also the erosion in the value of the investments/portfolio in the case of the capital markets passing through a bearish phase is a distinct possibility. Changes in the prevailing rates of interest are likely to affect the value of the Scheme(s) investments and thus the value of the Scheme's Units. The value of money market/debt instruments held by the Scheme(s) generally will vary inversely with the changes in prevailing interest rates. The AMC, while investing in fixed income instruments like debt, etc., shall consider and evaluate the risk of an issuer's ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity (market risk). While it is the intent of the AMC to invest primarily in more highly rated debt securities and highly researched growth companies, the Scheme(s) may from time to time invest in high yielding/growth, lower rated and/or privately placed/unlisted/securitised securities. Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than highly rated securities. The credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon, deferred interest bonds.

**Techniques Risk:** The Scheme(s) may use techniques (including IRS, futures and options, warrants, etc.) and instruments that may be permitted and/or that may become permissible under SEBI/RBI Regulations and/or Regulations and/or statutory modification or re-enactment thereof for efficient portfolio management and to attempt to hedge or reduce the risk of such fluctuation. However, these techniques and instruments, if imperfectly used have the risk of the scheme(s) incurring losses due to mismatches particularly in a volatile market. The Fund's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any). The use of these techniques is dependent on the ability to predict movements in the prices of securities being hedged and movements in interest rates. Besides, the fact that skills needed to use these instruments are different from those needed to select the Fund's/Scheme's securities. There is a possible absence of a liquid market for any particular instrument at any particular time even though the futures and options may be bought and sold on an organized stock exchange. The use of these techniques involves possible impediments to effective portfolio management or the ability to meet repurchase/redemption requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations.

**Political Risk:** Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved the removal of trade barriers and other protectionist measures, which could adversely affect the value of investments. It is possible that future changes in the Indian political situation, including political, social, or economic instability, diplomatic developments and changes in laws or regulations could have an effect on the value of investments. Expropriation, confiscatory taxation, or other relevant developments could also affect the value of investments.

**Forex Risk:** The scheme(s) may also invest in overseas financial assets in accordance with the guidelines issued by the concerned regulatory authorities in India. To the extent that the assets of the Scheme(s) will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distribution and income may be adversely affected by changes in the value of respective foreign currencies relative to the Indian rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration and bi-lateral conflict leading to immobilisation of the overseas financial assets.

**Liquidity and Settlement Risks:** The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme(s) will invest in certain securities of certain companies, industries, sectors etc. based on certain investment parameters as adopted internally by AMC. While at all times the Trustees and the AMC will endeavor that excessive holding/investment in certain securities of industries, sectors etc. by the Scheme(s) be avoided, the assets invested by the Scheme(s) in certain securities of industries, sectors, etc. may acquire a substantial portion of the Scheme's investment portfolio and collectively may constitute a risk associated with non-diversification and thus could affect the value of investments. The Scheme(s) may have difficulty in disposing of certain securities because the security may be unlisted, due to greater price fluctuations there may be a thin trading market, different settlement periods and transfer procedures for a particular security at any given time. Settlement if accomplished through physical delivery of stock certificates is labour and paper intensive and may affect the liquidity. It should be noted that the Fund bears the risk of purchasing fraudulent or tainted papers. The secondary market for money market/debt securities does exist, but is generally not as liquid as the secondary market for other securities. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event, such as the deterioration in the creditworthiness of the issuer, etc. or during restructuring of the Scheme's investment portfolio. Furthermore, from time to time, the AMC, the Custodian, the Registrar, any Associate, any distributor, dealer, any company, corporate body, trust, any scheme/Mutual Fund managed by the AMC or by any other AMC may invest in the Scheme(s). While at all times the Trustees and the AMC will endeavor that excessive holding of Units in the Scheme(s) among a few unit holders is avoided, however, the amounts invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unit holder in the Scheme(s). Accordingly, redemption of Units held by such persons may have an adverse impact on the value of the redemption and may impact the ability of the unit holders to redeem their respective Units.

#### **D. ABBREVIATION & DEFINITIONS**

##### **Scheme(s) Abbreviations**

PMIP	Principal Debt Savings Fund - Monthly Income Plan
PRP	Principal Debt Savings Fund – Retail Plan
PIF	Principal Income Fund
PIF – LTP	Principal Income Fund – Long Term Plan
PIF – STP	Principal Income Fund – Short Term Plan
PDOF	Principal Debt Opportunities Fund
PDOF – CP	Principal Debt Opportunities Fund – Conservative Plan
PDOF – CB	Principal Debt Opportunities Fund – Corporate Bond Plan
PCMF	Principal Cash Management Fund
PBCF	Principal Bank CD Fund
PMMF	Principal Retail Money Manager Fund
PGSF	Principal Government Securities Fund

**ADRs and GDRs:** American Depository Receipts (ADR) is negotiable certificates issued to represent a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. dollars. Global Depository Receipts (GDRs) are negotiable certificates held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.

**AMC/Asset Management Company/Investment Manager/Principal:** Principal Pnb Asset Management Company Private Limited.

**Applicable NAV:** The NAV applicable for subscription / redemption / switch in or switch out based on the time of the business day on which the application is accepted.

**Business Day:** A day other than:

- (i) Saturday and Sunday,
- (ii) a day on which the Banks in Mumbai and/or RBI are closed for business/ clearing,
- (iii) a day on which the Bombay Stock Exchange Limited and/or National Stock Exchange of India Limited are closed,
- (iv) a day on which sale and repurchase of units is suspended by the AMC,
- (v) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc.

Notwithstanding the above, the AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centers.

**Calendar Year / Year:** A Calendar Year shall be full English Calendar months viz. 12 months commencing from 1st January and ending on 31st December.

**CBLO:** Collateralized Borrowing and Lending Obligations is a Money Market Instruments approved by RBI, (developed by Clearing Corporation of India Limited). CBLO is a discounted instrument issued in an electronic book entry form for maturity ranging from one day to one year

**Central Depository Services (India) Limited (CDSL)/ National Securities Depository Limited (NSDL) :** A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.

**Co-Settlers:** Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank, the co-settlers to the Principal Mutual Fund.

**Credit Risk:** Risk of default in payment of principal or interest or both.

**Custodian:** An entity (for the time being Citibank NA) appointed for holding the securities and other assets of the Fund.

**CDSC:** Contingent Deferred Sales Charge permitted under the Regulations to be borne by the Unit Holder upon exiting (whether by way of redemption or Inter-scheme switching) based on the amount of investment (if applicable) and period of holding of Units.

**Day:** Any day (including Saturday, Sunday and holiday) as per English Calendar viz 365 days in a year.

**Debt Instruments :** Government securities, corporate debentures, bonds, promissory notes, money market instruments, pass-through obligations, asset backed securities/securitised debt and other possible similar securities.

**Dematerialisation:** It is a process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investors account with its Depository Participant.

**Depository:** Depository as defined in the Depository Act, 1996 (22 of 1996).

**Depository Participant:** A person registered as participant under sub section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

**Dividend:** Income distributed by the Mutual Fund on the units.

**Entry Load:** Load on sale/switch in of units.

**Equity Related Instruments:** Equity related instruments include convertible debentures, bonds, warrants, ADRs/GDRs and equity derivatives and other possible similar securities.

**Exit Load:** Load on repurchase/switch out of units.

**FII(s):** Foreign Institutional Investor(s) registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995.

**Financial Year:** A Financial Year shall be full English Calendar months viz. 12 months commencing from 1st April and ending on 31st March.

**Fund/Mutual Fund:** Principal Mutual Fund, a trust set up under the provisions of the Indian Trust Act, 1882 and registered with SEBI bearing Registration No. MF/019/94/0 dated December 13, 1994.

**Fixed Income Securities/Fixed Rate Debt Instruments:** Debt Securities created and issued by, inter alia, Central Government, State Government, Local Authorities, Municipal Corporations, PSUs, Public Companies, Private Companies, Bodies Corporate, Unincorporated Special Purpose Vehicles (SPVs) and any other entities which may be recognised/permitted which yield at fixed or variable rate by way of interest, premium, discount or a combination of any of them.

**Gilts/Government Securities :** As defined under Section 2(b) of the Securities Contract (Regulation) Act, 1956, Government Security means a security created and issued, whether before or after the commencement of the Act, by the Central Government and/or a State Government and having one of the forms specified in clause (2) of Section 2 of the Public Debt Act, 1944 (18 of 1944) including any amendments thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time; Treasury Bills, such other instruments as may be declared by Government of India and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in the securities.

**GOI:** Government of India.

**Group:** As defined in clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).

**Investment Management Agreement/IMA:** Investment Management Agreement dated 25/11/94 as amended from time to time, between the Trustee and AMC.

**ISC / Investor Service Centre:** Offices of AMC and such other centers / offices as may be designated by the AMC from time to time as its Investor Service Centre. It shall also include the Official Points of Acceptance as mentioned on the last/back cover page of this SID.

**Load:** A sum of money deducted from the value received or paid to the unitholder towards Sale/Repurchase of units.

**MFSS:** Mutual Fund Service System (MFSS) is an online order collection system provided by NSE to its eligible brokers for placing subscription or redemption orders on MFSS, based on orders received from the investors.

**Money Market Instruments:** Includes Commercial Papers, Commercial Bills, Treasury Bills, Government securities having an unexpired maturity up to one year Call or Notice Money, Certificate of Deposit, Usance Bill and any other like instrument as specified by RBI from time to time.

**NAV:** Net Asset Value of the units of the Scheme(s) (and Options therein) calculated in the manner provided in this Scheme(s) Information Document by dividing the net assets by the number of outstanding units (on any valuation day) or as may be prescribed by the SEBI Regulations from time to time. The NAV will be computed upto four decimal places.

**Net Assets:** Net Assets of the Scheme(s) at any time shall be the total value of the Schemes' assets, less its liabilities taking into consideration the accruals and the provision.

**NFO:** New Fund Offer.

**Non Resident/NRI:** Non- resident is any person who is not a resident in India.

**Official Points of Acceptance / Transactions (OPT):** Offices as specified by AMC from time to time where application for subscription / redemption / switch will be accepted on an ongoing basis.

**OCB :** Overseas Corporate Bodies, partnership firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by non-resident individuals of Indian nationality or origin, as also an overseas trust in which at least 60% of the beneficial interest is irrevocably held by such persons.

**Overseas Money Market Instruments:** Short term debt instruments in countries with fully convertible currencies subject to the instruments/issuers having the highest credit rating.

**Person of Indian Origin:** A person (not being a citizen of Pakistan or Bangladesh or Sri Lanka) shall be deemed to be of Indian origin, if

- i) He (She), at any time, held an Indian Passport;
- ii) He (She) or either of his (her) parents or any of his (her) grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
- iii) The person is the spouse of an Indian citizen or of a person of Indian origin (not being a citizen of Pakistan or Bangladesh or Sri Lanka).

**Permissible Investments or Investments :** Collective or group investments made on account of the unitholders of the scheme(s) in Securities and other assets in accordance with the SEBI/RBI Regulations and amendments thereto.

**Portfolio:** Portfolio at any time shall include all Permissible Investments and Cash.

**RBI:** Reserve Bank of India established under the Reserve Bank of India Act, 1934, as amended from time to time.

**Registrars/Registrar and Transfer Agent :** Registrar for the time being of the Mutual Fund which, at present, is Karvy Computershare Pvt. Ltd., or such agency appointed by the AMC.

**Regulations :** Regulations imply SEBI Regulations and the relevant rules and provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996; Public Debt Act, 1944; The Income Tax Act, 1961; Wealth Tax Act, 1957; the Foreign Exchange Management Act, 1999, the Indian Trusts Act, 1882 as amended from time to time and shall also include any Circulars, Press releases or Notifications that may be issued by SEBI or the Government of India or the Reserve Bank of India.

**Repo/Reverse Repo:** Sale/Purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.

**Repurchase/Redemption:** The units of all the schemes mentioned in the Scheme Information Document which will be bought back by the Fund on an ongoing basis.

**Resident:** A resident means any person resident in India under the Foreign Exchange Management Act, and under the Income Tax Act, 1961 including amendments thereto from time to time.

**SAI:** Statement of Additional Information of Principal Mutual Fund

**Sale/ Subscription:** The units of all the schemes mentioned in the Scheme Information Document which will be offered for sale to the unit holders on an ongoing basis.

**Schemes/Plans:** Would mean Schemes / Plans/ Options offered by the Fund.

**Scheme Information Document/SID:** This Document issued by Principal Mutual Fund, inviting to subscribe to the units of the schemes of the Mutual Fund.

**SEBI:** Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992, as amended from time to time.

**SEBI Regulations/Mutual Fund Regulations:** The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, or such other Regulation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time for regulating Mutual Funds in India, by SEBI.

**Securities/Instruments :** As defined under Section 2(h) of the Securities Contracts (Regulations) Act, 1956 of India and includes but not limited to shares, scrips, stocks etc., Debt instruments like notes, bonds, debentures, debenture stock, warrants, futures, options, derivatives etc. or other transferable securities of a like nature in or of any incorporated company or other body corporate, Gilts/Government securities, Mutual Fund units, Money Market Instruments like Call Deposit, Commercial Paper, Treasury Bills etc. such other instruments as may be declared by GOI and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in securities, mortgage/Asset backed securities, securitized receivable auto loans, etc.

**Sponsor:** Principal Financial Services Inc., USA acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited.

**Switch:** Transfer of units of one Scheme of Principal Mutual Fund to another Scheme of Principal Mutual Fund. Valid applications for “switch out” shall be treated as redemptions and for “switch in” shall be treated as purchases and the cut-off timings shall be applicable accordingly.

**Systematic Investment Plan(s) [SIP]:** A plan enabling the investors to systematically save and invest in the Scheme on monthly/quarterly (such other defined periodicity) basis by submitting post dated cheques / payment instructions.

**Systematic Transfer/Switch Plan(s) [STP]:** A Plan enabling the investors to transfer sums on a monthly, quarterly, semi-annually or annual basis from the Schemes to the other Schemes of the Mutual Fund existing or launched in future from time to time, by giving a simple instruction.

**Systematic Withdrawal Plan(s) [SWP]:** A Plan enabling the investors to withdraw amounts from the Scheme on a monthly, quarterly, semi-annually or annual basis by giving a simple instruction.

**Tax Act:** Income Tax Act, 1961, Wealth Tax Act 1957, or such other legislation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/rules, regulations any clarification and guidelines issued from time to time by the Government of India.

**Total Assets:** Total Assets of the Scheme at any time shall be the total value of the Scheme’s assets, taking into consideration the accruals.

**Trust Deed:** The Trust Deed of the Mutual Fund dated November 25, 1994 made by and between the Sponsor and the Trustee as amended from time to time or any replacement or substitution thereof.

**Trustee:** Principal Trustee Company Private Limited incorporated under the Companies Act, 1956.

**Unitholder:** Individual / Non Individual holding Units of the respective Scheme(s).

**Units of Funds/Units of Mutual Fund Scheme(s):** Units of Mutual Fund Schemes offered by Principal Mutual Fund and/or other Mutual Fund(s) registered in India.

**Units:** Undivided Share of a unitholder in the assets of the Scheme (and of the option(s), if any) as evidenced by any letter/advice or any other statement/ certificate/instrument.

**Year:** A year shall be full English Calendar Months viz. 12 months.

### **Interpretation**

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- ♦The terms defined in this Scheme Information Document include the plural as well as the singular.
- ♦Pronouns having a masculine or feminine gender shall be deemed to include the other.
- ♦Reference to ‘Scheme’/‘Scheme(s)’ would mean and include all the Schemes under this Scheme Information Document and all such Plan(s) that have different Portfolio(s) unless specified otherwise.

In this Scheme Information Document, all references to "dollars" or "\$" refers to United States dollars, and "₹" refers to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".

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## **E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

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### **DUE DILIGENCE CERTIFICATE**

It is confirmed that:

1. the Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time:



2. all legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
3. the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the scheme.
4. the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

For **Principal Pnb Asset Management Company Private Limited**

Sd/-

**Sujata Punjabi**

**Head – Legal & Compliance**

Date: June 4, 2012

### **SECTION – III INFORMATION ABOUT THE SCHEME(S)**

#### **A. TYPE OF THE SCHEME(S)**

<b>Scheme</b>	<b>Type of Scheme</b>
Principal Debt Savings Fund - MIP	An Open – Ended Income Fund. Monthly income is not assured and subject to availability of distributable surplus
Principal Debt Savings Fund – Retail Plan	An Open – Ended Income Fund
Principal Income Fund	An Open – Ended Income Scheme
Principal Debt Opportunities Fund	An Open – Ended Debt Scheme
Principal Cash Management Fund	An Open – Ended Liquid Scheme
Principal Bank CD Fund	An Open – Ended Debt Scheme
Principal Retail Money Manager Fund	An Open – Ended Liquid Scheme
Principal Government Securities Fund	An Open – Ended Dedicated Gilt Scheme investing in Government Securities

#### **B. WHAT ARE THE INVESTMENT OBJECTIVES OF THE SCHEME(S)?**

<b>Scheme(s)</b>	<b>Investment Objective(s)</b>
<b>Principal Debt Savings Fund - MIP</b>	To generate regular income through investments in fixed income securities so as to make periodical income distribution to the Unitholders and also to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments.
<b>Principal Debt Savings Fund – Retail Plan</b>	To generate regular income through investments in fixed income securities so as to make periodical income distribution to the Unitholders and also to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments and has been designed to cater to investors seeking a slightly more aggressive exposure to equity markets.
<b>Principal Income Fund</b>	<b>Long Term Plan</b> - To generate regular income and capital appreciation/ accretion through investment in debt instruments and related securities besides preservation of capital.
	<b>Short Term Plan</b> - To generate regular income and capital appreciation/ accretion through investment in debt instruments and related securities besides preservation of capital and has been designed to achieve stable returns over shorter-term investment horizons.
<b>Principal Debt Opportunities Fund</b>	<b>Conservative Plan</b> - To generate regular income & capital appreciation through investments in debt securities and money market instruments
	<b>Corporate Bond Plan</b> - The primary objective is to generate income and capital gains through investments in a portfolio of securities issued by Private and Public Sector Companies.
<b>Principal Cash Management Fund</b>	To provide investors with as high a level of income available from short-term investments as is considered consistent with preservation of capital and

	maintenance of liquidity, by investing in a portfolio of money market and investment grade debt instruments.
<b>Principal Retail Money Manager Fund</b>	To generate steady return by investing in debt and money market securities.
<b>Principal Bank CD Fund</b>	The objective is to generate returns by primarily investing in Bank CDs. Bank CDs provide liquidity and a relatively lower credit risk.
<b>Principal Government Securities Fund</b>	To generate returns through investment in sovereign securities and thus provide capital gains and income distribution to its Unit holders.

### C. HOW WILL THE SCHEME(S)/PLAN(S) ALLOCATE ITS ASSETS?

Under normal circumstances, the asset allocation pattern of the Schemes would be as follows:

Principal Debt Savings Fund - MIP	<table><tr><th>Type of Instrument</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Debt &amp; Money Market Instruments (including Securitised Debt upto 50%)</td><td>Upto 100%</td><td>Low to Medium</td></tr><tr><td>Equity and Equity Related Instruments (including units of Equity Mutual Fund Scheme(s))</td><td>Upto 15%</td><td>Medium to High</td></tr></table>			Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile	Debt & Money Market Instruments (including Securitised Debt upto 50%)	Upto 100%	Low to Medium	Equity and Equity Related Instruments (including units of Equity Mutual Fund Scheme(s))	Upto 15%	Medium to High			
	Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile												
	Debt & Money Market Instruments (including Securitised Debt upto 50%)	Upto 100%	Low to Medium												
	Equity and Equity Related Instruments (including units of Equity Mutual Fund Scheme(s))	Upto 15%	Medium to High												
	Investment in derivatives shall be upto 35% of the net assets of the Scheme. Investment in ADRs / GDRs shall be not exceeding 15% of the Scheme’s assets. Investment in Overseas Financial Debt Instruments including units of Overseas Mutual Funds shall not be exceeding 25% of the Scheme’s assets.														
Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.															
Principal Debt Savings Fund – Retail Plan	<table><tr><th>Type of Instrument</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Debt Securities (including Securitized Debt upto 50%)</td><td>Upto 100%</td><td>Low to Medium</td></tr><tr><td>Equity and Equity Related Instruments (including units of Equity Mutual Fund Scheme(s))</td><td>Upto 25%</td><td>Medium to High</td></tr></table>			Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile	Debt Securities (including Securitized Debt upto 50%)	Upto 100%	Low to Medium	Equity and Equity Related Instruments (including units of Equity Mutual Fund Scheme(s))	Upto 25%	Medium to High			
	Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile												
	Debt Securities (including Securitized Debt upto 50%)	Upto 100%	Low to Medium												
	Equity and Equity Related Instruments (including units of Equity Mutual Fund Scheme(s))	Upto 25%	Medium to High												
	Investment in derivatives shall be upto 35% of the net assets of the Scheme.														
Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending															
Principal Income Fund - Long Term Plan	<table><tr><th>Types of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Debt Securities</td><td>Upto 100%</td><td>Low to Medium</td></tr><tr><td>Money Market Instruments</td><td>Upto 100%</td><td>Low</td></tr><tr><td>Securitised Debt</td><td>Upto 50%</td><td>Low to Medium</td></tr></table>			Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Debt Securities	Upto 100%	Low to Medium	Money Market Instruments	Upto 100%	Low	Securitised Debt	Upto 50%	Low to Medium
	Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile												
	Debt Securities	Upto 100%	Low to Medium												
	Money Market Instruments	Upto 100%	Low												
	Securitised Debt	Upto 50%	Low to Medium												
	Investment in derivatives shall be upto 35% of the net assets of the Scheme. Investment in Overseas Financial Debt Instruments including units of Overseas Mutual Funds shall not be exceeding 25% of the Scheme’s assets.														
Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.															

**Principal Income Fund – Short Term Plan**

Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile
Debt Securities (including securitised debt upto 50%)	Upto 100%	Low to Medium
Money Market Instruments	Upto 100%	Low

Investment in derivatives shall be upto 35% of the net assets of the Scheme.

Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.

**Principal Debt Opportunities Fund – Conservative Plan**

Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile
Debt & Money Market Instruments (including cash & CBLO)	Up to 100%	Low to Medium

Investment in Securitised Debt may be up to 50% of the net assets of the Plan. The Plan may also invest up to 50% of net assets of the Plan in such derivative instruments as may be introduced from time to time for the purpose of hedging and portfolio balancing and other uses as may be permitted under the SEBI (Mutual Funds) Regulations, 1996.

Subject to the SEBI Regulations, the Mutual Fund may deploy up to 50% of its total net assets of the Plan in Stock Lending.

The Plan will have an average maturity of upto 370 days.

**Principal Debt Opportunities Fund – Corporate Bond Plan**

Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Debt and Money Market Instruments issued by Private and Public sector companies including Commercial Papers and *Securitised Debt	70%	100%	Medium to High
CBLO, T-bills and units of Liquid/ Money Market/ Debt Mutual Fund Scheme(s).	0%	30%	Low to Medium

\*Investment in Securitised Debt may be up to 30% of its Net Assets.

Subject to the SEBI Regulations, the Mutual Fund may deploy up to 50% of total net assets of the Plan in Stock Lending.

Average maturity of the portfolio will be maintained at or below 5 years.

**Principal Cash Management Fund**

Types of Instruments	Normal Allocation (% of Net Assets)	Risk Profile
Call / Term Money / Repos / Reverse Repos / Deposits with Banks	Upto 100%	Low to Medium
Bill Re-discounting	Upto 50%	Low to Medium
Other equivalent Money Market Instruments	Upto 100%	Very Low
Debt (including Securitised Debt) instruments other than those above	Upto 50%	Low to Medium

The Scheme may upto 35% of the net assets of the Scheme invest in Derivatives. The Scheme may also invest Scheme in Overseas financial debt instruments including units of overseas mutual funds not exceeding than 25% of the net assets of the Scheme

	<p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p> <p>Pursuant to the SEBI circular dated January 19, 2009:</p> <ul style="list-style-type: none"><li>• The scheme shall make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only.</li><li>• Inter scheme transfers in the Scheme shall be carried out in Debt and Money Market Instruments with the maturity of upto 91 days.</li></ul>																			
Principal Retail Money Manager Fund	<table><tr><th>Type of instrument</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Debt Instruments &amp; Money Market Instruments (Including MIBOR linked instruments with daily put and call option)</td><td>Upto 100%</td><td>Low to Medium</td></tr></table>			Type of instrument	Normal Allocation (% of Net Assets)	Risk Profile	Debt Instruments & Money Market Instruments (Including MIBOR linked instruments with daily put and call option)	Upto 100%	Low to Medium											
	Type of instrument	Normal Allocation (% of Net Assets)	Risk Profile																	
	Debt Instruments & Money Market Instruments (Including MIBOR linked instruments with daily put and call option)	Upto 100%	Low to Medium																	
	<p>Investment in Securitised Debt may be up to 50% of the net assets of the Scheme.</p> <p>The Scheme may also invest up to 50% of net assets of the Scheme in such derivative instruments as may be introduced from time to time for the purpose of hedging and portfolio balancing and other uses as may be permitted under the SEBI (Mutual Funds) Regulations, 1996.</p> <p>Subject to the SEBI Regulations, the Mutual Fund may deploy upto 50% of its total net assets of the Scheme in Stock Lending.</p> <p>Pursuant to the SEBI circular dated January 19, 2009:</p> <ul style="list-style-type: none"><li>• The scheme shall make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only.</li><li>• Inter scheme transfers in the Scheme shall be carried out in Debt and Money Market Instruments with the maturity of upto 91 days.</li></ul>																			
	<table><tr><th rowspan="2">Type of Instrument</th><th colspan="2">Normal Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Bank CDs</td><td>0%</td><td>90%</td><td>Medium to High</td></tr><tr><td>Repo, CBLO, Units of Money Market/Liquid Funds</td><td>0%</td><td>90%</td><td>Low to Medium</td></tr><tr><td>Debt Instruments</td><td>10%</td><td>20%</td><td>Low to Medium</td></tr></table>			Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Bank CDs	0%	90%	Medium to High	Repo, CBLO, Units of Money Market/Liquid Funds	0%	90%	Low to Medium	Debt Instruments	10%	20%
Type of Instrument	Normal Allocation (% of Net Assets)		Risk Profile																	
	Minimum	Maximum																		
Bank CDs	0%	90%	Medium to High																	
Repo, CBLO, Units of Money Market/Liquid Funds	0%	90%	Low to Medium																	
Debt Instruments	10%	20%	Low to Medium																	
Principal Bank CD Fund																				
Principal Government Securities Fund	<table><tr><th>Type of Instrument</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Government Securities</td><td>Upto 100%</td><td>Low to Medium</td></tr></table>			Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile	Government Securities	Upto 100%	Low to Medium											
	Type of Instrument	Normal Allocation (% of Net Assets)	Risk Profile																	
Government Securities	Upto 100%	Low to Medium																		
	<p>Investment in derivatives shall be upto 35% of the net assets of the Scheme.</p>																			

There is no assurance that the objective of the Scheme(s) may be achieved. Subject to SEBI Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. Percentages stated above are only

indicative and not absolute. These proportions may vary substantially depending upon the perception of the AMC; the intention being at all times to seek to protect the NAV of the Scheme(s) and interests of the Unit holders. Such changes in the investment pattern will be for short term and only for defensive considerations.

Any change in the investment composition of the Scheme(s) and amounting to a change in the fundamental attributes of the Scheme will be in accordance with Sub Regulation 15A of Regulation 18 of SEBI Regulations.

Further short-term surpluses/funds under the scheme pending deployment in terms of investment objective of the scheme can be deployed in the inter-bank call/notice money (as and when permitted under the regulations). In longer-term assets, sovereign bonds (government securities and treasury bills) which are the most liquid instruments dominate the market. Banks, Institutions, Primary Dealers and Mutual Funds are the dominant participants in this market. Other instruments available for investment are commercial papers, certificates of deposit, promissory notes, non-convertible debentures/floating rates bonds, securitised instruments etc. [subject to the asset allocation pattern of the Scheme(s)]. Various factors such as interest rate movement, fluctuation in the bond markets, political instability, changes in the economic environment, changes in the rating, changes in the tax laws and/or Regulations and/or RBI policies, changes in the liquidity conditions in the money market etc. affect the prices of debt instruments.

**Stock Lending by the Mutual Fund (applicable where the asset allocation pattern of the Scheme(s) provides for participation in stock lending)**

Stock Lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio. The securities lent are to be returned by the borrower on the expiry of the stipulated period.

To augment revenue generation, the Scheme(s) (except PGSF) may lend the securities held by it to eligible brokers, dealers, financial institutions through approved intermediaries, in amounts up to 50% of its total net assets at the time of lending, in accordance with the terms of the Securities Lending Scheme announced by SEBI. The Fund may enter into an agreement with the approved intermediary for depositing the securities for the purpose of lending through the approved intermediary on satisfactory terms as to security.

The Scheme(s) would limit its exposure, with regard to securities lending, for a single intermediary, other than the National Securities Clearing Corporation Ltd (NSCCL), to the extent of 10% of the total net assets of the Scheme at the time of lending. For NSCCL, such exposure limit would be up to 50% of the total net assets of the Scheme(s). Collateral must be obtained by the approved intermediary for the lending transactions and this collateral must exceed in value of the Securities lent. The collateral can be in the form of cash, bank guarantee, govt. securities, certificate of deposits or other securities as may be agreed upon with the approved intermediary.

It should be noted that any default/delay by the parties to return the securities lent to them may have an adverse impact on the net assets (and consequently the performance) of the scheme.

## **INVESTMENT PROCESS**

There is separate team for investment in fixed income instruments & equities. The team works under the supervision of Chief Investment Officer (CIO). CIO is overall in charge for the Fund's investment.

The Investment Manager will carry out the daily investment activities within the framework of SEBI guidelines in accordance with the investment objective as per the Scheme Information Document. The Board of AMC and Trustee will review the performance of the Scheme(s) in comparison to corresponding schemes of other mutual funds with similar investment objective and asset profile generally. The performance of the Scheme will be compared with benchmark. The AMC has been recording investment decisions since the receipt of instructions from SEBI.

### **Review by Board of AMC and Trustees**

A detailed review of the schemes of the Fund including its performance vis-à-vis benchmark index, assets size, rankings/ratings received, if any is placed before the Board of Directors of AMC and to the Trustee on a quarterly basis.

#### D. WHERE WILL THE SCHEME(S)/PLAN(S) INVEST?

Scheme(s)	Where will it invest
Principal Debt Savings Fund - MIP	<ul style="list-style-type: none"> <li>➤ The corpus of the Plan will be predominantly invested in Debt and Money Market Instruments including securitised debt.</li> <li>➤ The Plan will invest part of its corpus in Equity and Equity Related Instruments, including units of Equity Mutual Fund Schemes.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Plan will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Plan may participate in securities lending as permitted under the Regulations.</li> <li>➤ The Plan may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> <li>➤ The Asset Management Company further reserves the right to invest in derivatives and foreign securities subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time. Investment in foreign securities will only be made in instruments denominated in US Dollar, Singapore Dollar, Japanese Yen, Euro or Sterling Pound or any other liquid currency as may be decided by AMC from time to time.</li> </ul> <p><b>Foreign securities shall without limitation include:-</b></p> <ul style="list-style-type: none"> <li>• ADRs/ GDRs issued by Indian or foreign companies.</li> <li>• Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies.</li> <li>• Money market instruments rated not below investment grade.</li> <li>• Repos in the form of investment, where the counterparty is rated not below investment grade.</li> <li>• Government securities where the countries are rated not below investment grade.</li> <li>• Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities.</li> <li>• Short term deposits with banks overseas where the issuer is rated not below investment grade.</li> <li>• Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
Principal Debt Savings Fund – Retail Plan	<ul style="list-style-type: none"> <li>➤ The corpus of the Retail Plan will be predominantly invested in Debt Securities including securitised debt.</li> <li>➤ Part of its corpus will also be invested in Equity and Equity Related Instruments, including units of Equity Mutual Fund Scheme(s).</li> <li>➤ The Asset Management Company further reserves the right to invest in derivatives subject to SEBI or any other Regulatory Authorities permitted from time to time.</li> <li>➤ Retail Plan may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. Retail Plan will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. Retail Plan may participate in securities lending as permitted under the Regulations.</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
Principal Income Fund – Long Term	<ul style="list-style-type: none"> <li>➤ The corpus of the Scheme will be predominantly invested in Debt and Money Market Instruments including securitised debt. The scheme may invest in a wide range of fixed income instruments having varied yields, listed or unlisted etc. including:</li> </ul>

Plan	<ul style="list-style-type: none"> <li>▪ Govt. of India securities (including treasury bills)</li> <li>▪ Debt instruments issued by Indian state or local govt.</li> <li>▪ Debt instruments issued by Govt. agencies, statutory bodies, public sector undertakings and financial institutions.</li> <li>▪ Debt instruments issued by banks</li> <li>▪ Debt instruments issued by corporations</li> <li>▪ Money Market Instruments</li> <li>▪ Other Debt instruments, listed or unlisted, as may be permitted</li> </ul> <p>➤ The Asset Management Company further reserves the right to invest in Derivatives, Overseas Financial Debt Instruments including units of overseas mutual funds subject to of SEBI / RBI or any other Regulatory Authorities permitted from time to time. Investment in foreign securities will only be made in instruments denominated in US Dollar, Singapore Dollar, Japanese Yen, Euro or Sterling Pound or any other liquid currency as may be decided by AMC from time to time.</p> <p><b>Overseas Financial Debt Instruments including units of overseas mutual funds shall without limitation include:-</b></p> <ul style="list-style-type: none"> <li>• Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies.</li> <li>• Money market instruments rated not below investment grade.</li> <li>• Repos in the form of investment, where the counterparty is rated not below investment grade.</li> <li>• Government securities where the countries are rated not below investment grade</li> <li>• Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities.</li> <li>• Short term deposits with banks overseas where the issuer is rated not below investment grade.</li> <li>• Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets)</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p> <p>➤ The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</p> <p>➤ The Scheme may participate in securities lending as permitted under the Regulations.</p>
Principal Income Fund – Short Term Plan	<p>➤ The corpus of PIF – STP will be predominantly invested in Debt Securities including securitised debt and Money Market Instruments. PIF – STP may also invest its assets in a portfolio of debt instruments and related securities of government, quasi-government, corporate issuers and money market instruments (rated investment grade or higher or other-wise comparable, if not rated) with average residual maturity of up to 36 months and varying risks.</p> <p>➤ The Asset Management Company further reserves the right to invest in derivatives subject to SEBI or any other Regulatory Authorities permitted from time to time.</p> <p>➤ PIF – STP may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</p> <p>➤ PIF - STP may participate in securities lending as permitted under the Regulations.</p> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
Principal Debt	<p>➤ The corpus of the scheme will be invested in Debt &amp; Money Market Securities (Including cash &amp; CBLO) and Securitised Debt. The Plan will have an average maturity</p>



<b>Opportunities Fund – Conservative Plan</b>	<p>of upto 370 days.</p> <ul style="list-style-type: none"> <li>➤ The Asset Management Company further reserves the right to invest in derivatives subject to SEBI or any other Regulatory Authorities permitted from time to time.</li> <li>➤ The Plan may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Plan will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Plan may participate in securities lending as permitted under the Regulations.</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
<b>Principal Debt Opportunities Fund – Corporate Bond Plan</b>	<ul style="list-style-type: none"> <li>➤ The corpus of the Plan will be invested in Debt and Money Market Instruments issued by Private and Public sector companies including Commercial Papers and Securitised Debt.</li> <li>➤ The Plan will have an average maturity of upto 5 years.</li> <li>➤ The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
<b>Principal Cash Management Fund</b>	<ul style="list-style-type: none"> <li>➤ The corpus of the Scheme will be invested in Debt securities (including securitised debt), Money Market Instruments, Bills Re-discounting and Call/Term Money/ Repos / Reverse Repos / Deposits with Banks. The investments will be in securities, which the investment manager believes present minimal liquidity and/or credit risks. The investment composition for each of the options would be in instruments having varied yields, either listed or unlisted.</li> <li>➤ Pursuant to the SEBI circular dated January 19, 2009, the scheme will invest in the following manner: <ul style="list-style-type: none"> <li>• The scheme shall make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only.</li> <li>• Inter scheme transfers in the Scheme shall be carried out in Debt and Money Market Instruments with the maturity of upto 91 days.</li> </ul> </li> <li>➤ The Asset Management Company further reserves the right to invest in derivatives and overseas financial debt instruments including units of overseas debt instruments subject to SEBI / RBI or any other Regulatory Authorities permitted from time to time. Investment in foreign securities will only be made in instruments denominated in US Dollar, Singapore Dollar, Japanese Yen, Euro or Sterling Pound or any other liquid currency as may be decided by AMC from time to time.</li> </ul> <p><b>Overseas Financial Debt Instruments including units of overseas debt instruments shall without limitation include:-</b></p> <ul style="list-style-type: none"> <li>• Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies</li> <li>• Money market instruments rated not below investment grade</li> <li>• Repos in the form of investment, where the counterparty is rated not below investment grade</li> <li>• Government securities where the countries are rated not below investment grade</li> <li>• Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities</li> <li>• Short term deposits with banks overseas where the issuer is rated not below investment grade</li> <li>• Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets)</li> </ul>



	<p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p> <ul style="list-style-type: none"> <li>➤ The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> </ul> <p>At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations</p>
<b>Principal Retail Money Manager Fund</b>	<ul style="list-style-type: none"> <li>➤ The corpus of the scheme will be invested in Debt Instruments &amp; Money Market Instruments (Including MIBOR linked instruments with daily put and call option) having a very short term maturity profile. The Scheme shall predominantly invest in Overnight repo, CBLO, floating rate debt instruments and other fixed income securities. The scheme will also invest in securitised debt.</li> <li>➤ Pursuant to the SEBI circular dated January 19, 2009, the scheme will invest in the following manner: <ul style="list-style-type: none"> <li>▪ In case of securities where the principal is to be repaid in a single payout the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.</li> <li>▪ In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 91 days.</li> <li>▪ In case the maturity of the security falls on a non-business day then settlement of securities will take place on the next business day.</li> </ul> </li> <li>➤ The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.</li> <li>➤ The Asset Management Company further reserves the right to invest in derivatives subject to SEBI or any other Regulatory Authorities permitted from time to time.</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
<b>Principal Bank CD Fund</b>	<ul style="list-style-type: none"> <li>➤ The corpus of the scheme will be primarily invested in Bank CDs. The scheme will also invest in Money Market Instruments [including CBLO, Repo, units of Liquid/Money Market / Debt Mutual Fund Scheme(s) excluding Commercial Papers]</li> <li>➤ The scheme will also invest in debt instruments.</li> <li>➤ The Scheme may also invest in another schemes managed by the same AMC or by the AMC of any other mutual fund without charging any fees on such investments, within the limits specified under SEBI Regulations.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme will participate in Inter Bank Calls only when Mutual Funds are permitted to do so. The Scheme may participate in securities lending as permitted under the Regulations.</li> </ul> <p>And such other Securities as may be prescribed by SEBI/RBI from time to time.</p>
<b>Principal Government Securities Fund</b>	<ul style="list-style-type: none"> <li>➤ The assets under the Scheme will be invested solely in Government Securities. Investment Plan will be managed with a portfolio of government securities of any maturity. However to meet temporary liquidity needs, the Scheme may invest in overnight call money/notice money/bank deposits and/or repos. The Scheme may also invest a part of its assets in financial derivatives such as options and futures &amp; IRS (comprising of government securities) that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.</li> <li>➤ At present Mutual Funds are not permitted to participate in Inter Bank Calls. The Scheme</li> </ul>

- will participate in Inter Bank Calls only when Mutual Funds are permitted to do so.
- Being a scheme dedicated exclusively for investments in Government Securities, Principal Government Securities Fund is eligible to avail at any time liquidity support (from RBI) upto 20% (or such limits as may be permitted from time to time) of the outstanding value of its investments in government securities (as at the close of business on the previous working day), under its guidelines issued vide letter IDMC. No. 2741/03.01.00/95-96, dated April 20, 1996.

The securities may be acquired by the Scheme(s) through Initial Public Offerings (IPOs), secondary market operations, private placement, right offers or negotiated deals. Securities shall be purchased in public offerings, primary/ reissues/ Open Market Operations (OMO) auctions / OMO sales, private placement, right offers, negotiated deals or any other mode of investment made available in the market from time to time.

The regulation and limits as applicable under the SEBI (Mutual Funds) Regulations, 1996 are specified under the Para of Investment Restrictions.

### Depository

The Securities of the scheme(s) will be held in demat (electronic) mode and accordingly the rules of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 would apply. The service charges payable to the Depository Participant will form a part of the annual recurring expenses.

### E. WHAT ARE THE INVESTMENT STRATEGIES?

Scheme(s)/Plan(s)	Investment Strategies
Principal Debt Savings Fund – Monthly Income Plan	To achieve the investment objective, assets under the Plan will be invested in wide range of fixed income and money market instruments. The Plan may also invest a small part of its assets in equity and equity related instruments, including units of Equity Mutual Fund Scheme(s). Further the Plan may also invest in financial derivatives such as options and futures & IRS that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.
Principal Debt Savings Fund – Retail Plan	<p>To achieve the investment objective, assets under the Plan will be invested in wide range of fixed income and money market instruments. The Plan may also invest a small part of its assets in equity and equity related instruments, including units of Equity Mutual Fund Scheme(s). Further the Plan may also invest in financial derivatives such as options and futures &amp; IRS that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.</p> <p>Retail Plan will have a separate portfolio from that of Monthly Income Plan. However each of the investment options under Retail Plan will share a common portfolio.</p>
Principal Income Fund – Long Term Plan	The Plan will aim to invest its assets in a portfolio of debt instruments and related securities of government, quasi-government, corporate issuers and money market instruments with varying risks – rated investment grade or higher or otherwise comparable (if not rated).
Principal Income Fund – Short Term Plan	<p>The Plan aims to invest its assets in a portfolio of debt instruments and related securities of government, quasi-government, corporate issuers and money market instruments (rated investment grade or higher or otherwise comparable, if not rated) with average residual maturity of upto 36 months and varying risks.</p> <p>The Plan has a separate portfolio from Long Term Plan under Principal Income Fund. However each investment option under the Short Term Plan will have a common portfolio.</p>

<b>Principal Debt Opportunities Fund – Conservative Plan</b>	The net assets of the Plan will be invested in money market and debt instruments. The fund will seek to optimize the risk return proposition for the benefit of investors. The investment process will focus on macro-economic research, credit risk and liquidity management. The fund will maintain a judicious mix of cash, short term and medium term instruments based on the mandates of the respective plans. As part of credit risk assessment, the fund will also apply its credit evaluation process besides taking guidance from ratings of rating agencies. In order to maintain liquidity, the fund will maintain a reasonable proportion of the Scheme's investments in relatively liquid investments.
<b>Principal Debt Opportunities Fund – Corporate Bond Plan</b>	The Plan will invest primarily in Debt & Money Market securities issued by Private and Public sector companies. The Investment manager will be taking calls on interest rates and credit while making investments in such securities. The average maturity profile of the portfolio may reach up to 5 years. The Investment Manager will take active strategic and tactical positions with key source of returns being Interest Rates and Credit.
<b>Principal Cash Management Fund</b>	The scheme will invest its assets in a portfolio of money market instruments. The investments will be in securities, which the Investment Manager believes present minimal liquidity and/or credit risks.
<b>Principal Retail Money Manager Fund</b>	The portfolio will be predominantly invested in overnight repo, CBLO, floating rate instruments and other fixed income instruments.
<b>Principal Bank CD Fund</b>	The scheme will primarily invest in Certificate of Deposits issued by Banks. Bank CDs tend to carry higher credit quality. Bank CDs help the investors who are seeking exposure to money market while taking relatively lower credit risk and aiming to generate reasonable returns.
<b>Principal Government Securities Fund</b>	To achieve the investment objective, assets under the Scheme will be invested solely in government securities. However to meet temporary liquidity needs the Scheme may invest in overnight call money/notice money/bank deposits and/or repos. The Scheme may also invest a part of its assets in financial derivatives such as options and futures & IRS (comprising of government securities) that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.

**Trading in Derivatives (applicable where the asset allocation pattern of the Scheme(s) provides such investment)**

The Scheme(s) may take derivatives position based on the opportunities available subject to the guidelines provided by SEBI from time to time and in line with the overall investment objective of the Scheme(s). SEBI has vide its Circulars inter alia, DNP/Cir-29/2005 dated September 14, 2005, DNP/Cir-30/2006 dated January 20, 2006 and CIR/IMD/DF/11/2010 dated August 18, 2010, specified the guidelines pertaining to trading by Mutual Fund in Exchange traded derivatives and SEBI Circular DNP/Cir-31/2006 dated September 22, 2006 modifying the position limits for Index derivative contracts.

A derivative is an instrument whose value is derived from the value of one or more of the underlying assets which can be commodities, precious metals, bonds, currency, etc. Common examples of Derivative instruments are Interest Rate Swaps, Forward Rate Agreements, Futures, Options, etc.

In case of equity derivatives, the Scheme(s) may transact in exchange traded equity derivatives only and these instruments may take the form of Index Futures, Index Options, Futures and Options on individual equities/securities and such other derivative instruments as may be appropriate and permitted under the SEBI Regulations and guidelines from time to time.

Derivative positions taken would be guided by the following principles:

**Exposure to Equity Derivatives**

The net derivatives position in the Scheme may be up to the limit as set forth in the asset allocation pattern of the Scheme(s), subject to the following regulatory limits:

***i. Position limit for the Mutual Fund in index options contracts:***

- a. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be ₹500 crore or 15% of the total open interest in the market in index options, whichever is higher, per Stock Exchange.
- b. This limit would be applicable on open positions in all options contracts on a particular underlying index.

***ii. Position limit for the Mutual Fund in index futures contracts:***

- a. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be ₹500 crore or 15% of the total open interest in the market in index futures, whichever is higher, per Stock Exchange.
- b. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

***iii. Additional position limit for hedging:***

In addition to the position limits at point (i) and (ii) above, Fund may take exposure in equity index derivatives subject to the following limits:

- a. Short positions in index derivatives (short futures and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
- b. Long positions in index derivatives (long futures and long calls) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

***iv. Position limit for the Mutual Fund for stock based derivative contracts:***

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts:

- a. For stocks having applicable market-wise position limit (MWPL) of ₹500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or ₹300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or ₹150 crores, whichever is lower.
- b. For stocks having applicable market-wise position limit (MWPL) less than ₹500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or ₹50 crore whichever is lower.

***v. Position limit for the Scheme:***

The position limits for the Scheme and disclosure requirements are as follows:

- a. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a Fund shall not exceed the higher of :1% of free float market capitalization (in terms of number of shares).  
Or  
5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).
- b. This position limit shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.
- c. For index based contracts, the Mutual Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

As and when SEBI notifies amended limits in position limits for exchange traded derivative contracts in future, the aforesaid position limits, to the extent relevant, shall be read as if they were substituted with the SEBI amended limits.

The Scheme(s) may purchase call and put options in securities in which it invests and on securities indices. Through the sale and purchase of futures contracts the Fund would seek to hedge against a decline in securities owned by the Fund or an increase in the prices of securities which the Fund plans to purchase. The Fund would sell futures contracts on securities indices in anticipation of a fall in stock prices, to offset a decline in the value of its equity portfolio. When this type of hedging is successful, the futures contract increase in value while the Fund's investment portfolio declines in value and thereby keep the Fund's net asset value from declining as much as it otherwise would. Similarly, when the Fund is not fully invested, and an increase in the price of equities is expected, the Fund would purchase futures contracts to gain rapid market exposure that may partially or entirely offset increase in the

cost of the equity securities it intends to purchase. In certain cases the Fund might invest in futures contracts as against underlying cash stocks for reasons of liquidity and lower impact costs.

## **Stock and Index Futures**

### **Hedging against an anticipated rise in equity prices:-**

The scheme(s) has a corpus of ₹100 crores and has cash of ₹15 crores available to invest. The Fund may buy index/stock futures of a value of ₹15 crores. The scheme(s) may reduce the exposure to the future contract by taking an offsetting position as investments are made in the equities; the scheme(s) wants to invest in. Here, if the market rises, the scheme(s) gains by having invested in the index futures.

### **Hedging against anticipated fall in equity prices:-**

If the Fund has a negative view on the market and would not like to sell stocks as the market might be weak, the scheme(s) of the Fund can go short on index/stock futures. Later, the scheme(s) can unwind the future positions. A short position in the future would offset the long position in the underlying stocks and this can curtail potential loss in the portfolio. The Fund's successful use of futures contracts is subject to the Fund Manager's ability to predict correctly the market factor affecting the market value of the Fund's portfolio securities. For example if a Fund is hedged against a fall in the securities using a short position in index futures, and the market instead rises, the Fund loses part or all of the benefit of the increase in securities prices on account of the offset losses in index futures. Imperfect co-relation between the price movements in the securities index on the one hand and the stocks held by the Fund or the futures contracts itself on the other hand may result in trading losses. The Fund may not be able to close an open futures position due to insufficient liquidity in the futures market. Under such circumstances, the Fund would be required to make daily cash payments of variation margin in the event of adverse price movements. If the Fund has insufficient cash, the Fund may be required to sell portfolio securities to meet daily variation margin requirement at a time when it may be disadvantageous to do so.

A hedge is designed to offset a loss on a portfolio with a gain in the hedge position. At the same time, however, a properly correlated hedge will result in a gain in the portfolio position being offset by a loss in the hedge position. As a result the use of derivatives could limit any potential gain from an increase in value of the position hedged. In addition, an exposure to derivatives in excess of the hedging requirement can lead to losses.

## **Stock and Index Options:**

Option contracts are of two types - Call and Put; the former being the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date and the latter being the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date. The price at which the shares are contracted to be purchased or sold is called the strike price. Options that can be exercised on or before the expiration date are called American Options, while those that can be exercised only on the expiration date are called European Options. In India, all individual stock options are American Options, whereas all index options are European Options. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

### **Example for Options:**

**Buying a Call Option:** Let us assume that the Fund buys a call option of XYZ Ltd. with strike price of ₹1000/-, at a premium of ₹25/-. If the market price of ABC Ltd on the expiration date is more than ₹1000/-, the option will be exercised. The Fund will earn profits once the share price crosses ₹1025/- (Strike Price + Premium i.e. 1000+25). Suppose the price of the stock is ₹1100/-, the option will be exercised and the Fund will buy 1 share of XYZ Ltd. from the seller of the option at ₹1000/- and sell it in the market at ₹1100/-, making a profit of ₹75/-. In another scenario, if on the expiration date the stock price falls below ₹1000/-, say it touches ₹900/-, the Fund will choose not to exercise the option. In this case the Fund loses the premium (₹25/-), which will be the profit earned by the seller of the call option.

**Buying a Put Option:** Let us assume the Fund owns the shares of XYZ Ltd, which is trading at ₹500/-. The fund wishes to hedge this position in the short-term as it perceives some downside to the stock in the short-term. It can buy a Put Option at ₹500/- by paying a premium of say ₹10/- In case the stock goes down to ₹450/- the fund has protected its downside to only the premium i.e. ₹10/- instead of ₹50/-. On the contrary if the stock moves up to say

₹550/- the fund may let the Option expire and forego the premium thereby capturing ₹40/- upside. The strategy is useful for downside protection at cost of foregoing some upside.

For an option buyer, loss is limited to the premium that he has paid and gains are unlimited.

The above example is hypothetical in nature and all figures are assumed for the purpose of illustrating the use of call options in individual stocks. Similar analogy can be used for Index Options too when the fund wishes to hedge a part of the total portfolio or cash.

**The following section describes some of the more common debt derivatives transactions along with their benefits:**

### **Interest Rate Swap (IRS)**

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while other receives a floating (variable) rate of interest.

### **Interest Rate Futures (IFS)**

An interest rate futures contract is "an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today." Interest rate futures are derivative contracts which have a notional interest bearing security as the underlying instrument. The buyer of an interest rate futures contract agrees to take delivery of the underlying debt instruments when the contract expires and the seller of interest rate futures agrees to deliver the debt instrument.

The fund can effectively use interest rate futures to hedge from increase in interest rates.

### **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

### **Example**

Let us assume that a scheme(s) has an investment of ₹10 crore in an instrument which pays interest linked to NSE Mibor. Since the NSE Mibor would vary daily, the scheme(s) is running an interest rate risk on its investment and would stand to lose if rates go down. To hedge itself against this risk, the scheme could do an IRS where it receives a fixed rate (assume 10%) for the next 5 days on the notional amount of ₹10 crore and pay a floating rate (NSE Mibor). In doing this, the scheme would effectively lock itself into a fixed rate of 10% for the next five days. The steps would be.

1. The scheme enters into an IRS on ₹10 crore from May 1, 2012 to May 8, 2012. It receives a fixed rate of interest at 10% and the counter party receives the floating rate (NSE Mibor). The Scheme and the counter party exchange a contract of having entered into this IRS.
2. On a daily basis, the NSE Mibor will be tracked by the counterparties to determine the floating rate payable by the scheme.
3. On May 8, 2012, the counterparty will calculate the following;
  - The scheme will receive interest on ₹10 crore at 10% p.a. for 5 days i.e. ₹1,36,986/-
  - The scheme will pay the compounded NSE Mibor for 5 days
  - Effectively, the scheme has earned interest at 10% p.a. for 5 days by converting its floating rate asset into a fixed rate through the IRS.

If the total interest on the compounded NSE Mibor rate is lower than ₹1,36,986/-, the scheme will receive the difference from the counterparty and vice-versa. In case the interest on compounded NSE Mibor is higher, the scheme would make a lower return than what it would have made had it not undertaken IRS.

Further, the exposure limits for trading in derivatives by Mutual Fund specified by SEBI vide its circular Ref. No. Cir/IMD/DF/11/2010 dated August 18, 2010 are as follows:



- 1) The cumulative gross exposure through equity, debt and derivative positions shall not exceed 100% of the net assets of the Scheme.
- 2) The Scheme shall not write options or purchase instruments with embedded written options.
- 3) The total exposure related to option premium paid must not exceed 20% of the net assets of the Scheme.
- 4) Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
- 5) Exposure due to hedging positions may not be included in the above mentioned limits, subject the following:
  - (a) Hedging positions are the derivative positions that reduce possible losses on existing positions in securities and till the existing position remains.
  - (b) Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.
  - (c) Any derivative instrument used to hedge has the same underlying security as the existing positions being hedged.
  - (d) The quantity of underlying associated with the derivative positions taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
- 6) The Scheme may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
- 7) Exposure due to derivative positions taken for hedging purposes in excess of the underlying positions against which the hedging position has been taken, shall be treated under the limits mentioned in Point 1.
- 8) Position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall may be computed as follows: -

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option premium Paid * Lot Size* Number of Contracts

### Portfolio Turnover Rate

The Portfolio Turnover Rate (PTR) means the lower of aggregate sales or purchases made during a particular year/period divided by the Average Asset under Management (average of Assets under Management on last day of month) for the relevant year/period.

"Portfolio Turnover" is the term used by any Mutual Fund for measuring the amount of trading that occurs in a Scheme's portfolio during the year. The Scheme(s) are open-ended scheme(s). It is expected that there may be a number of subscriptions and repurchases on a daily basis. Moreover, portfolio turnover in the Schemes will be a function of market opportunities. The economic environment changes on a continuous basis and exposes portfolio to systematic as well as non-systematic risk. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. However, a high turnover would significantly affect the brokerage and transaction costs. This will exclude the turnover caused on account of:

- Investing the initial subscription,
- Subscriptions and redemption undertaken by the unit holders.

The AMC will endeavor to balance the increased cost on account of higher portfolio turnover with the benefits derived therefrom. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be representative of arbitrage opportunities that exist for scrips/securities held in the portfolio rather than an indication of a change in AMC's view on a scrip, etc.

## F FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

### (i) Type of a scheme

- Open ended scheme(s)
- For details on which schemes are Debt/Liquid schemes, please refer the Section on “Type of the Scheme(s)”

### (ii) Investment Objective

- Main Objective - Please refer **Investment Objective** of respective Scheme(s) as mentioned above
- Investment pattern - Please refer the Section on ‘How will the Scheme(s)/Plan(s) allocate its assets’

### (iii) Terms of Issue

- Liquidity provisions such as listing, repurchase, redemption. Please refer the section on ‘Ongoing offer Details’
- Aggregate fees and expenses charged to the scheme. Please refer the section on ‘Fees and Expenses’
- Any safety net or guarantee provided. **Not Applicable**

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

## G. HOW WILL THE SCHEME(S) BENCHMARK ITS PERFORMANCE?

Scheme/Plan	Benchmark
Principal Debt Savings Fund - MIP	CRISIL MIP Blended Index
Principal Debt Savings Fund – Retail Plan	
Principal Income Fund - Long Term Plan	CRISIL Composite Bond Fund Index
Principal Income Fund - Short Term Plan	CRISIL Short Term Bond Fund Index
Principal Debt Opportunities Fund – Conservative Plan	CRISIL Liquid Fund Index
Principal Debt Opportunities Fund – Corporate Bond Plan	CRISIL Composite Bond Fund Index
Principal Cash Management Fund	CRISIL Liquid Fund Index
Principal Retail Money Manager Fund	
Principal Bank CD Fund	
Principal Government Securities Fund	I-Sec Composite Index

The composition of the aforesaid benchmarks is such that they are most suited for comparing performance of the Scheme(s). The Fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme(s), subject to SEBI Regulations.

## H. WHO MANAGES THE SCHEME(S)?

Name of the Fund Manager	Designation:	Age & Qualification	Brief Experience	Name of Schemes under his management
Mr. Rajat Jain	Chief Investment Officer	49 years / M.B.A (Finance)	Mr. Rajat Jain is the Chief Investment Manager of Principal Pnb Asset	(a) Principal Index Fund (b) Principal Global Opportunities Fund (c) Principal Retail Equity



			Management Co. Pvt. Ltd. In this role, he oversees investments of the Principal Mutual Fund, and is responsible for overall portfolio strategy. He has over 22 years of experience in portfolio management; of which the last 12 years have been with the Principal. Prior to joining Principal Pnb AMC, he was with SBI Mutual Fund.	Savings Fund (d) Principal Services Industries Fund <sup>@</sup> (e) Principal Debt Savings Fund – MIP & Retail Plan (jointly with Mr. Pankaj Jain) <sup>@</sup>
Mr. Pankaj Jain	Sr. Fund Manager – Fixed Income	32 years / B.E (Mechanical), PGDBM, IIM Bangalore	Over 7 years of experience in the Fixed Income Markets. In his previous assignment he was associated with Taurus Mutual Fund as Fund Manager - Fixed Income for more than 2 years managing debt schemes including Liquid, Short Term, Dynamic and other schemes. Previous to the same he was associated with Edelweiss Mutual Fund as Fund Manager. He has also worked with Edelweiss Capital handling the forex and debt portfolios, and State Bank of India (Treasury) and Thermax Ltd.	a) Principal Cash Management Fund b) Principal Retail Money Manager Fund c) Principal Government Securities Fund d) Principal Income Fund – Long Term Plan e) Principal Debt Savings Fund - Monthly Income Plan & Retail Plan (jointly with Mr. Rajat Jain) <sup>@</sup> f) Principal Balanced Fund (jointly with Mr. P.V.K. Mohan) g) Principal Income Fund – Short Term Plan <sup>#</sup> h) Principal Bank CD Fund <sup>#</sup> i) Principal Debt Opportunities Fund – Conservative Plan & <sup>#</sup> Corporate Bond Plan j) Principal Pnb Fixed Maturity Plan – Series A4 (Tenure - 367 Days)

<sup>@</sup> - Asst. Fund Manager - Mr. Anupam Tiwari

**Age & Qualification** – 35 years, Chartered Accountant

**Brief Experience** - Over 7 years of experience in Equity Markets as Research Analyst and Fund Manager. Prior to joining Principal Mutual Fund, he was associated with Reliance Mutual Fund and Reliance Life Insurance Ltd. Other Schemes being managed by Mr. Tiwari as Fund Manager are Principal Large Cap Fund, Principal Personal Tax Saver Fund and Principal Smart Equity Fund.

<sup>#</sup> - Asset. Fund Manager - Mr. Gurvinder Singh Wasan

**Age & Qualification** – 30, CA, Chartered Financial Analyst from CFA Institute USA (Charter awaited) and Master of Commerce from Mumbai University.

**Brief Experience** - Over 7 years of experience in Fixed Income Markets, Credit Analysis and Structured Finance. Prior to joining Principal Mutual Fund, he has worked with Crisil Ltd. and ICICI Bank Ltd.

## **I. WHAT ARE THE INVESTMENT RESTRICTIONS?**

**Following are the Investment limitations/restrictions (applicable where the asset allocation pattern of the Scheme(s) provides such investment):-**

- Pursuant to the SEBI circular dated January 19, 2009 the Scheme(s)/Plan(s) shall make investment in / purchase Debt and Money Market Instruments with the maturity of up to 91 days only (PCMF and PMMF).

### ***Explanation:***

- In case of securities where the principal is to be repaid in a single payout the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.*
  - In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 91 days.*
  - In case the maturity of the security falls on a non-business day then settlement of securities will take place on the next business day.*
- The scheme(s) shall not invest more than 15% of its NAV in debt instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities.

Provided further that the Debentures irrespective of any residual maturity period (above or below one year) shall attract restriction as applicable under clause 1 and 1A of Seventh Schedule to the SEBI (Mutual Funds) Regulations, 1996.

Provided further that the restrictions for investments made in securitised debt (mortgage backed securities/asset backed securities) would be applicable as mentioned in Seventh Schedule and as per the clarification made by SEBI vide circular no. SEBI/MD/CIR No.6/63715/06, dated March 29, 2006.

- The scheme(s) shall not invest more than 10% of its NAV in unrated debt instruments (of any residual maturity period) issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the AMC.
- The Scheme(s) shall not invest more than 30% of its net assets in money market instruments of an issuer. Provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations.
- Transfers of investments from one scheme to another scheme of Principal Mutual Fund shall be allowed only if:
  - Such transfers are done at the prevailing market price for quoted instruments on spot basis.  
[Explanation - "Spot basis" shall have same meaning as specified by stock exchange for spot transactions.]
  - The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- A scheme may invest in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that aggregate inter scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the mutual fund.
- The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities.

Provided that the Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.

Provided further that sale of Government securities already contracted for purchase shall be permitted in accordance with the Guidelines issued by RBI in this regard;

Provided further the Scheme may also enter into derivatives transactions in a recognised stock exchange, subject to the framework specified by the Board.

- The Mutual Fund shall get the securities purchased or transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature
- Pending deployment of Funds of the scheme in terms of investment objective, Mutual Fund may invest them in short term deposits of scheduled commercial banks, subject to the following:
  - The scheme shall not park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
  - The scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
  - No funds of the scheme may be parked in short term deposit of a bank which has invested in that scheme.
  - Short Term for such parking of fund by Mutual Fund shall be treated as a period not exceeding 91 days read with the provisions of SEBI Circular dated December 11, 2008 bearing reference SEBI/IMD/CIR No. 12/147132/08.
- The scheme shall not make any investment in:
  - any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the sponsor; or
  - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets
- The Scheme shall not invest in any Fund of Funds Scheme.
- The Scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any Company.
- The Scheme shall not invest more than 5% of its net assets in the unlisted equity shares or equity related instruments.
- Aggregate value of “Illiquid Securities” of the Scheme, which are defined as non-traded, thinly traded and unlisted equity share, shall not exceed 15% of the total assets of the Scheme.
- The Fund under all its Schemes should not own more than 10% of any company’s paid up capital carrying voting rights.

#### **Investment in foreign Securities:-**

- In accordance with RBI Circular A.P. (DIR) Series Circular No. 3 dated July 26, 2006 read with SEBI Circular SEBI/IMD/CIR No.7/104753/07 dated September 26, 2007, the Fund is permitted to invest only up to US\$ 300 million in identified overseas securities. Such limit and/or identified securities may be revised at the discretion of the Fund in alignment with the provision that may be prescribed in this regard by SEBI/RBI from time to time.

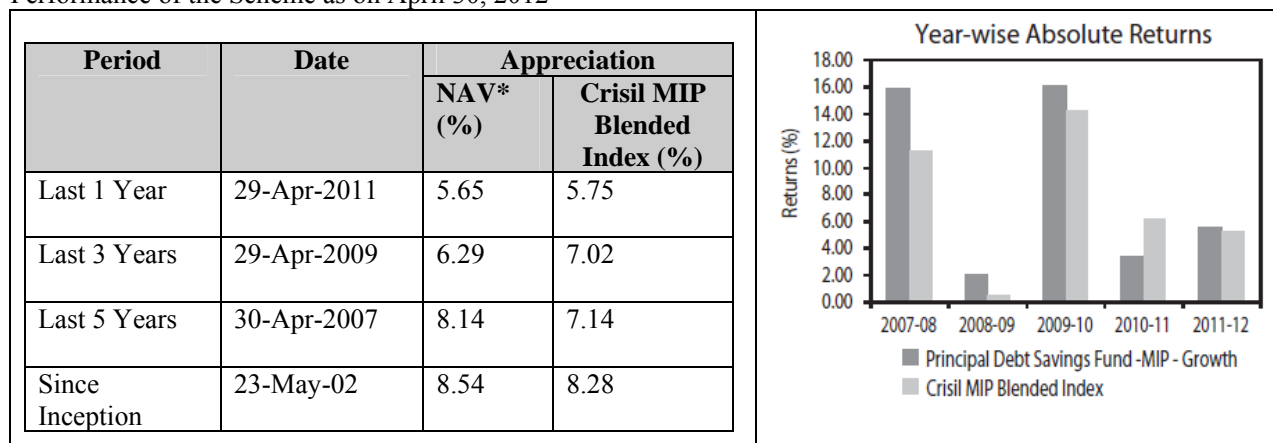
These investment limitations/parameters (as expressed/linked to the net asset/NAV/capital) shall in the ordinary course apply as of the date of the most recent transaction or commitment to invest, and changes do not have to be effected merely because, owing to appreciation or depreciation in value, or by reason of the receipt of any rights, bonuses or benefits in the nature of capital, or of any scheme of arrangement, or for amalgamation, reconstruction or exchange, or at any repayment or repurchase or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, the AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unitholders.

In addition, certain investment parameters (like limits on exposure to sectors, industries, issuers, etc.) may be adopted internally by the AMC, as amended from time to time, to ensure appropriate diversification/security for the Fund. The AMC may alter these above stated limitations from time to time, and also to the extent the SEBI Regulations change, so as to permit the Fund to make its investments in the full spectrum of permitted investments for Mutual Funds to achieve its investment objective. As such all investments of the Fund will be made in accordance with SEBI Regulations including Schedule VII thereof.

## J.HOW HAVE THE SCHEME(S) PERFORMED?

### Principal Debt Savings Fund - Monthly Income Plan

Performance of the Scheme as on April 30, 2012



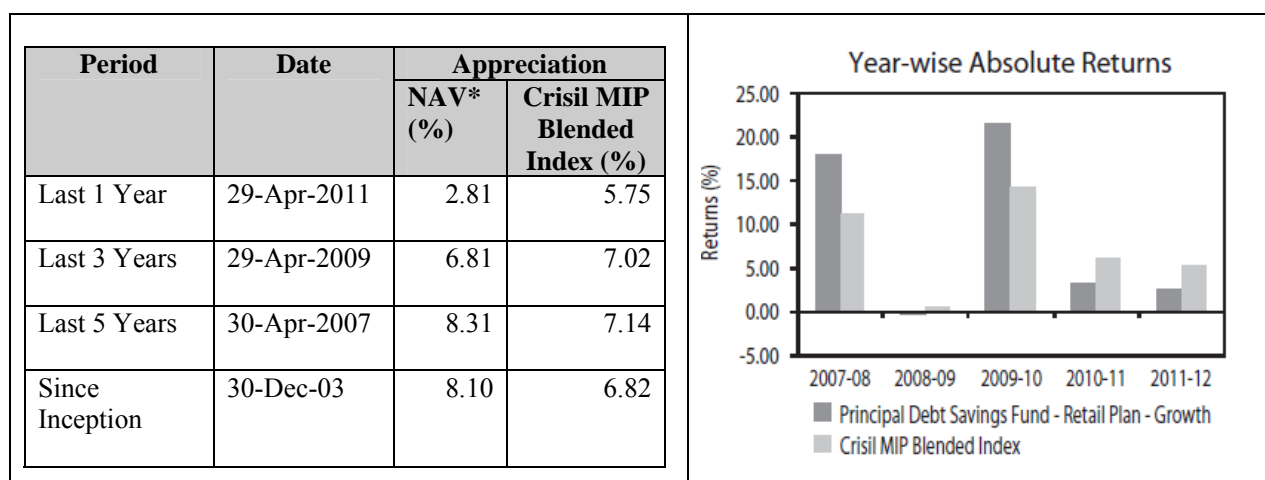
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

### Principal Debt Savings Fund – Retail Plan

Performance of the Scheme as on April 30, 2012



Past performance may or may not be sustained in the future.

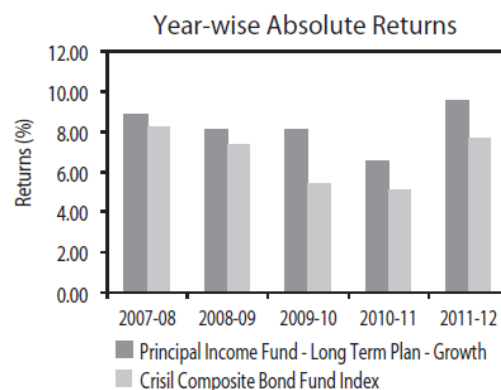
Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Income Fund – Long Term Plan

Performance of the Scheme as on April 30, 2012

Period	Date	Appreciation	
		NAV* (%)	Crisil Composite Bond Fund Index (%)
Last 1 Year	29-Apr-2011	10.28	8.19
Last 3 Years	29-Apr-2009	6.62	5.32
Last 5 Years	30-Apr-2007	8.27	6.78
Since Inception	09-May-03	7.10	5.35



Past performance may or may not be sustained in the future.

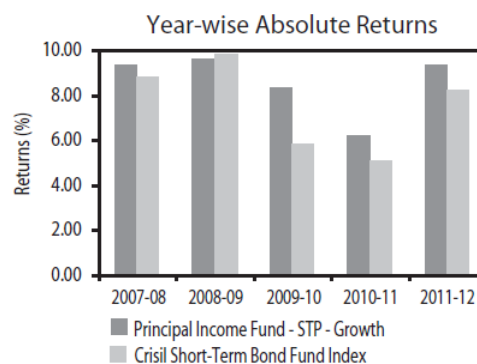
Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Income Fund – Short Term Plan

Performance of the Scheme as on April 30, 2012

Period	Date	Appreciation	
		NAV* (%)	Crisil Short Term Bond Fund Index (%)
Last 1 Year	29-Apr-2011	9.70	8.59
Last 3 Years	29-Apr-2009	7.57	6.07
Last 5 Years	30-Apr-2007	8.61	7.58
Since Inception	09-May-03	7.37	6.23



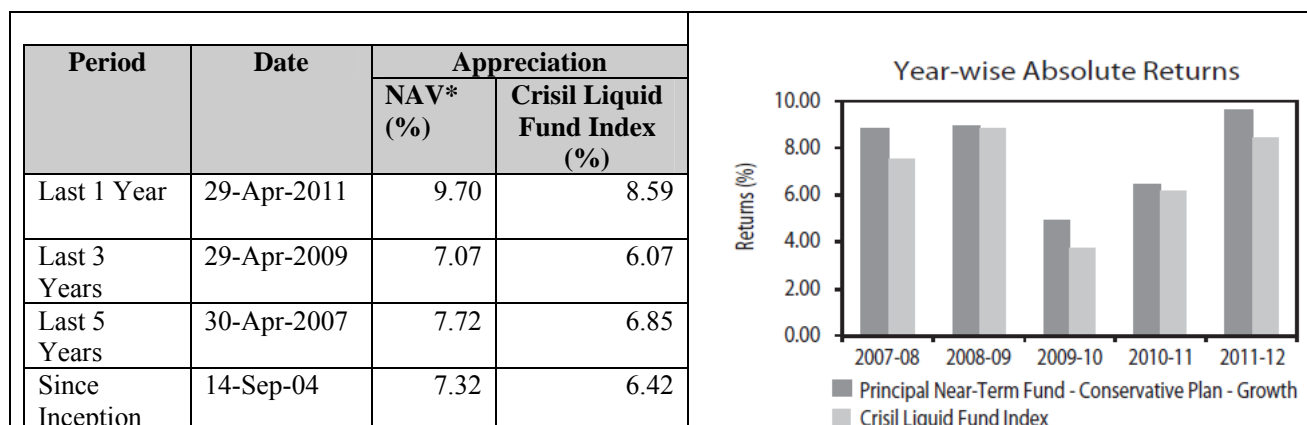
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Debt Opportunities Fund – Conservative Plan

Performance of the Scheme as on April 30, 2012



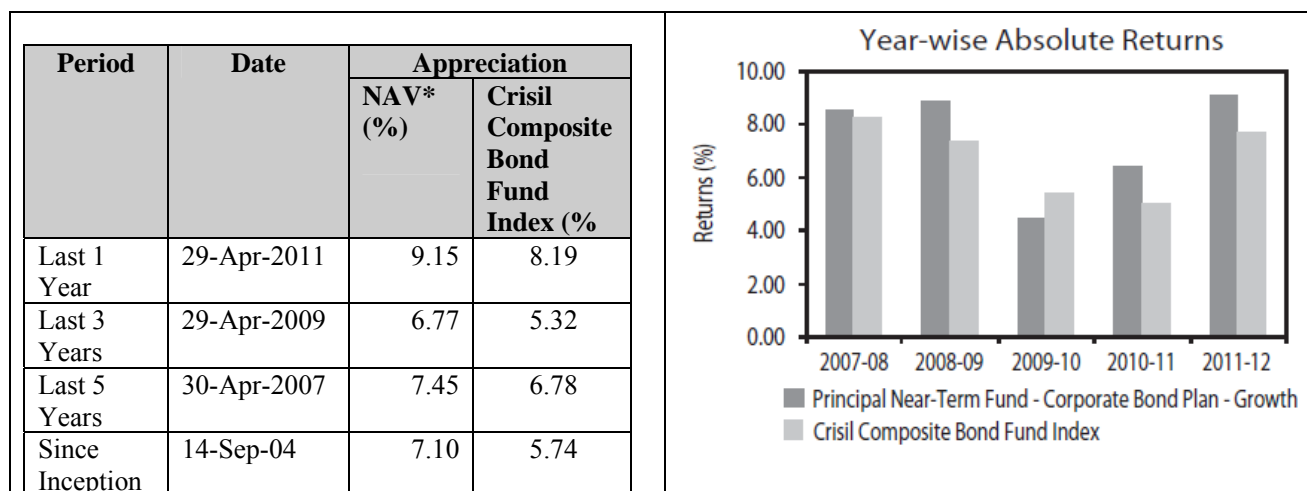
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Debt Opportunities Fund – Corporate Bond Plan

Performance of the Scheme as on April30, 2012



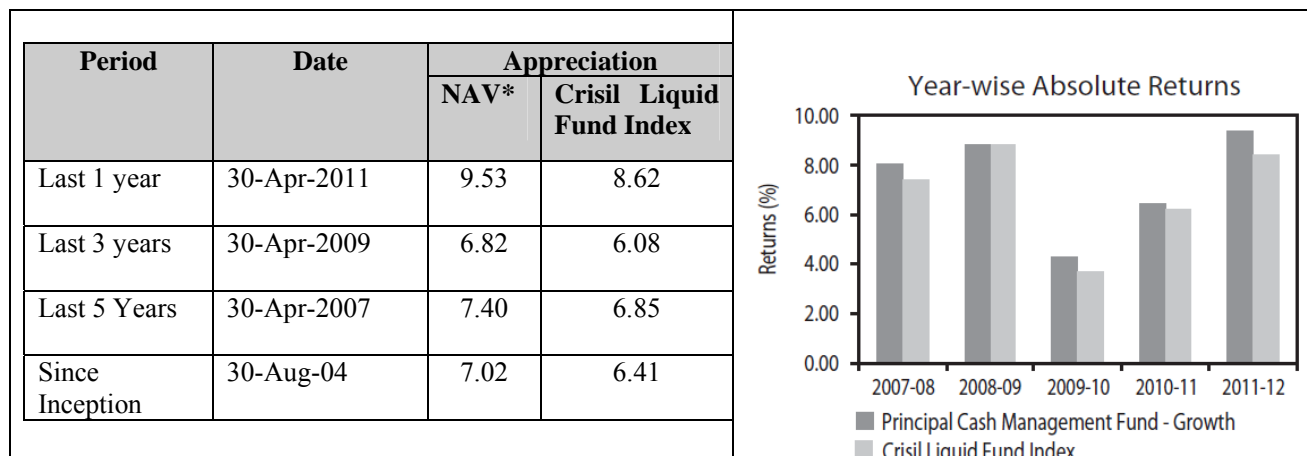
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Cash Management Fund

Performance of the Scheme as on April 30, 2012 –



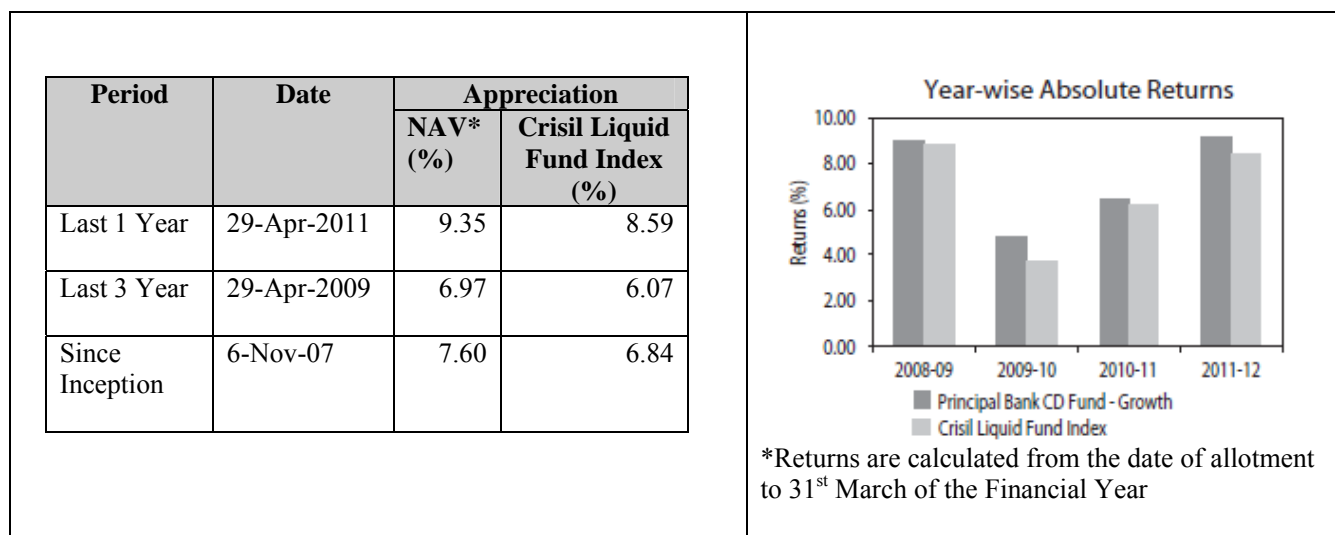
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Bank CD Fund

Performance of the Scheme as on April 30, 2012



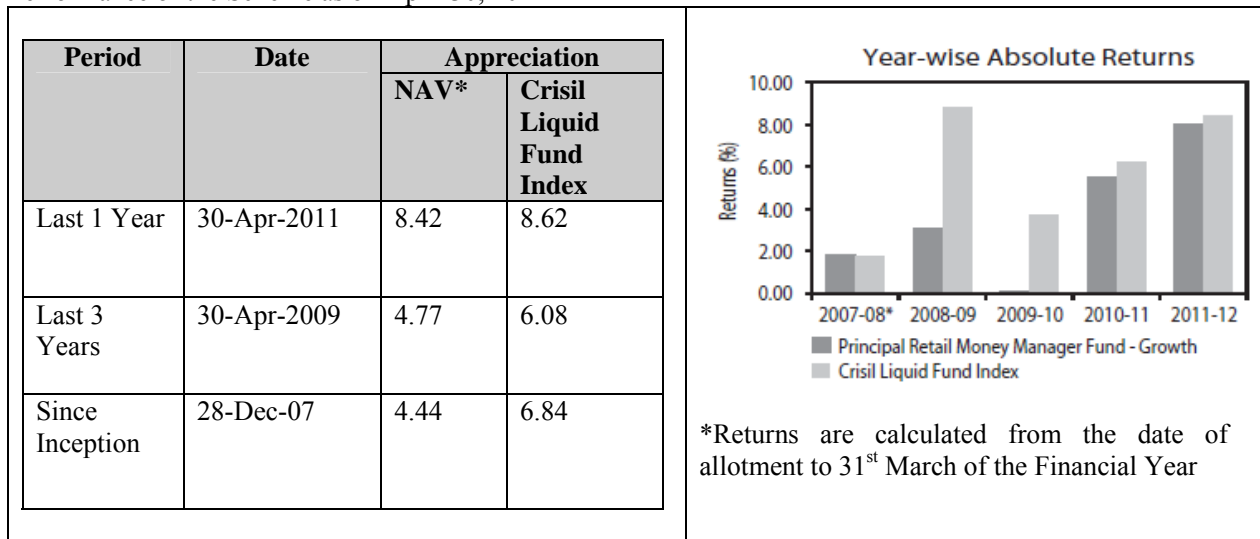
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Retail Money Manager Fund

Performance of the Scheme as on April 30, 2012



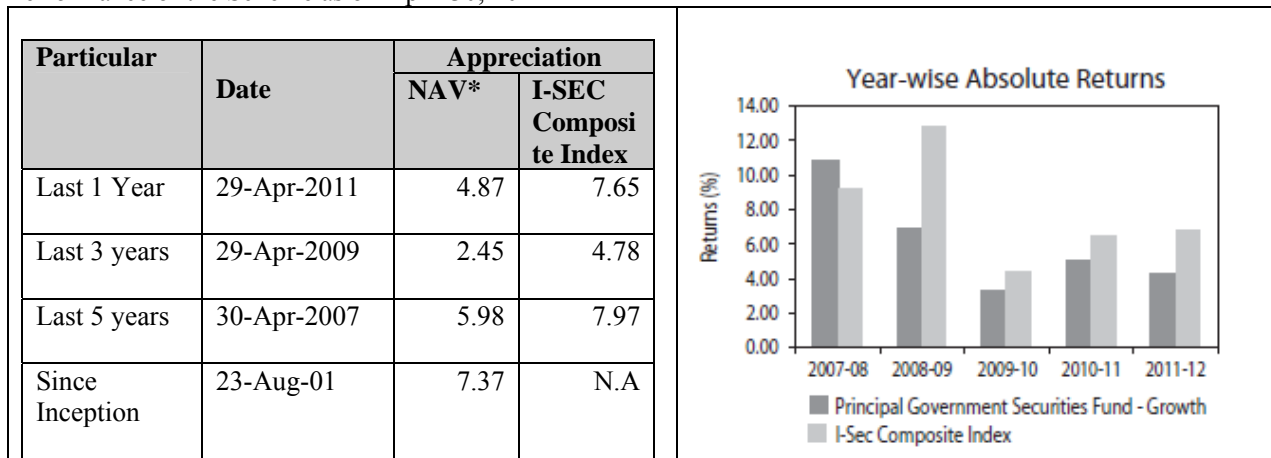
Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## Principal Government Securities Fund

Performance of the Scheme as on April 30, 2012



Past performance may or may not be sustained in the future.

Note: Returns more than 1 year are calculated on compounded annualised basis.

\* Growth Option.

## K. INVESTMENT BY AMC?

The AMC and investment companies managed by the Sponsor, its affiliates, its associate companies and subsidiaries may invest either directly or indirectly in the Scheme(s). The money managed by these affiliates, associates, the Sponsor, subsidiaries of the Sponsor and/or the AMC may acquire a substantial portion of a Scheme's units and collectively constitute a major investment a Scheme. Accordingly, repurchase of units held by such affiliates/associates and Sponsor may have an adverse impact on the units of a Scheme, because the timing of such repurchase may impact the ability of other unit holders to repurchase their units. The AMC reserves the right to invest its own funds in the Scheme(s) as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 and SEBI/IMB/CIR No.1/42529/05 dated June 14, 2005 regarding minimum number of investors in the Scheme/ Plan. The AMC shall not charge any fees on investment by the AMC in the units of the Scheme(s) in



accordance with Sub Regulation 3 of Regulation 24 of the Regulations and shall charge fees on such amounts in future only if the SEBI Regulations so permit.

## SECTION-IV UNITS AND OFFER

This section provides details you need to know for investing in the scheme(s).

### A. NFO DETAILS

This section does not apply to the scheme(s) covered in this Scheme Information Document, as the ongoing offer of the scheme(s) has commenced after the NFO, and the units are available for continuous subscription and redemption.

### B. ONGOING OFFER DETAILS

<p><b>Ongoing Offer Period</b> This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the New Fund Offer (NFO) period</p>	<p>The date of inception for the Scheme(s) are :-</p> <table border="1" data-bbox="576 634 1450 924"> <tr> <td>Principal Debt Savings Fund - MIP</td><td>May 23, 2002</td></tr> <tr> <td>Principal Debt Savings Fund – Retail Plan</td><td>December 30, 2003</td></tr> <tr> <td>Principal Income Fund</td><td>May 9, 2003</td></tr> <tr> <td>Principal Debt Opportunities Fund</td><td>September 14, 2004</td></tr> <tr> <td>Principal Cash Management Fund</td><td>August 30, 2004</td></tr> <tr> <td>Principal Bank CD Fund</td><td>November 6, 2007</td></tr> <tr> <td>Principal Retail Money Manager Fund</td><td>December 28, 2007</td></tr> <tr> <td>Principal Government Securities Fund</td><td>August 23, 2001</td></tr> </table> <p>The above schemes being open ended, Investors can subscribe to the units on an ongoing basis. To provide liquidity to the investors, the Schemes will offer Redemption / Switch-out of Units at NAV based prices on every Business Day on an ongoing basis subject to applicable exit load.</p>	Principal Debt Savings Fund - MIP	May 23, 2002	Principal Debt Savings Fund – Retail Plan	December 30, 2003	Principal Income Fund	May 9, 2003	Principal Debt Opportunities Fund	September 14, 2004	Principal Cash Management Fund	August 30, 2004	Principal Bank CD Fund	November 6, 2007	Principal Retail Money Manager Fund	December 28, 2007	Principal Government Securities Fund	August 23, 2001
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<p><b>Ongoing price for subscription (purchase) / switch-in</b> (from other schemes / plans of the mutual fund) by investors. This is the price you need to pay for purchase / switch-in.</p>	<p>At applicable NAV</p>																
<p><b>Ongoing price for redemption (sale) /switch outs</b> (to other schemes/plans of the Mutual Fund) by investors. This is the price you will receive for redemptions / switch outs.  <i>Example: If the applicable NAV is ₹10, exit load is 2% then redemption price will be:</i> <math>₹10 * (1-0.02) = ₹9.80</math></p>	<p>At the applicable NAV subject to prevailing exit loads</p>																

## Plans / Option offered

Plan(s) /Option(s) currently offered under the Scheme(s) are detailed below. The AMC reserves the right to introduce a new option/investment Plan at a later date, subject to the SEBI Regulations.

Scheme	Options	Sub options/Frequencies /Facilities
Principal Debt Savings Fund – Monthly Income Plan	<ul style="list-style-type: none"> <li>Dividend</li> <li>Growth</li> </ul>	<p><b><u>Frequency / Facility under Dividend Option:</u></b></p> <ul style="list-style-type: none"> <li>Monthly &amp; Quarterly Dividend - Payout, Reinvestment and Sweep facility</li> </ul> <p>[Note: Effective October 21, 2011 fresh subscriptions in any mode (including Systematic Investment Plan [SIP] / Systematic Transfer Plan [STP]) under the Dividend Option to the Retail Plan are not accepted. The same may however be open and available for subscription at a later date.</p> <p>Further w.e.f. October 21, 2011 subscription applications (SIP/STP) under the Retail Plan are restricted only for individual investors (including HUFs, Association of Persons &amp; where an individual is an ultimate beneficiary)].</p> <p><b><u>Facility under Growth Option:</u></b></p> <ul style="list-style-type: none"> <li>Auto Earning Payout</li> <li>Accumulation</li> </ul>
Principal Debt Savings Fund – Retail Plan		
Principal Income Fund – Long Term Plan	<ul style="list-style-type: none"> <li>Dividend</li> <li>Growth</li> </ul>	<p><b><u>Frequency / Facility under Dividend Option:</u></b></p> <ul style="list-style-type: none"> <li>Quarterly &amp; Annual Dividend - Payout, Reinvestment and Sweep facility</li> </ul>
Principal Income Fund-Short Term Plan	<ul style="list-style-type: none"> <li>Dividend</li> <li>Growth</li> </ul>	<p><b><u>Frequency / facilities under Dividend Option:</u></b></p> <p>Monthly Dividend - Payout, Reinvestment and Sweep facility.</p>
Principal Debt Opportunities Fund – Conservative Plan	<ul style="list-style-type: none"> <li>Dividend</li> <li>Growth</li> </ul>	<p><b><u>Frequency / Facility under Dividend Option:</u></b></p> <ul style="list-style-type: none"> <li>Daily &amp; Weekly Dividend – Reinvestment Facility</li> <li>Monthly Dividend - Payout, Reinvestment and Sweep facility</li> </ul>
Principal Debt Opportunities Fund – Corporate Bond Plan	<ul style="list-style-type: none"> <li>Dividend</li> <li>Growth</li> </ul>	<p><b><u>Frequency / facilities under Dividend Option:</u></b></p> <p>Monthly Dividend - Payout, Reinvestment and Sweep facility.</p>

	<b>Principal Cash Management Fund</b>	<ul style="list-style-type: none"> <li>▪ Dividend</li> <li>▪ Growth</li> </ul>	<u><b>Frequency / Facility under Dividend Option:</b></u> <ul style="list-style-type: none"> <li>• Daily &amp; Weekly Dividend – Reinvestment Facility</li> <li>• Monthly Dividend - Payout, Reinvestment and Sweep facility</li> </ul>
	<b>Principal Bank CD Fund</b>	<ul style="list-style-type: none"> <li>▪ Dividend</li> <li>▪ Growth</li> </ul>	<u><b>Frequency / facilities under Dividend Option:</b></u> Monthly Dividend - Payout, Reinvestment and Sweep facility.
	<b>Principal Retail Money Manager Fund</b>	<ul style="list-style-type: none"> <li>▪ Dividend</li> <li>▪ Growth</li> </ul>	<u><b>Frequency / Facility under Dividend Option:</b></u> <ul style="list-style-type: none"> <li>• Daily &amp; Weekly Dividend – Reinvestment Facility</li> <li>• Monthly Dividend - Payout, Reinvestment and Sweep facility</li> </ul> <p>[<b>Note:</b> Effective October 21, 2011 fresh subscriptions in any mode (including Systematic Investment Plan [SIP] / Systematic Transfer Plan [STP]) under Daily &amp; Weekly Dividend Option and Payout &amp; Sweep facility to Monthly Dividend Option under the Scheme. The same may however be open and available for subscription at a later date.</p> <p>Further w.e.f. October 21, 2011 subscription applications (SIP/STP) under the Scheme are restricted only for individual investors (including HUFs, Association of Persons &amp; where an individual is an ultimate beneficiary)].</p>
	<b>Principal Government Securities Fund</b>	<ul style="list-style-type: none"> <li>▪ Dividend</li> <li>▪ Growth</li> </ul>	<u><b>Frequency / Facility under Dividend Option:</b></u> <ul style="list-style-type: none"> <li>• Quarterly &amp; Annual Dividend - Payout, Reinvestment and Sweep facility</li> </ul>

#### **Dividend Option/Plan:**

Under Dividend Option/Plan, dividend will be declared subject to availability of distributable surplus and at the discretion of AMC/Trustee. The undistributed portion of the income will remain in the Option/Plan and be reflected in the NAV, on an ongoing basis. The Trustee decision with regard to availability and adequacy, rate, timing and frequency of distribution of dividend shall be final.

Further, the Dividend Option will have the facility of Payout, Re-investment and Sweep. Applicants should indicate the Option/Facility for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the Application Form. Applicants can allocate the

investment in both the Options subject to a minimum investment amount of the Scheme/Plan.

The Trustee reserves the right to introduce new dividend distribution options and/or alter the dividend payout intervals, frequency etc.

**Dividend Payout Facility**

Under this Facility, the unit holders would receive payout of their dividend in the Option.

**Dividend Re-investment Facility**

Under this Facility, dividend declared will be re-invested in the Scheme/Option itself, at applicable NAV based prices.

**Dividend Sweep Facility**

Under this facility, the unit holders may reinvest their dividend in any other open ended scheme of the Fund at the applicable NAV based prices, subject to the minimum investment and eligibility requirements of the scheme in which the dividend is being invested. The appropriate number of units shall be credited to unit holder's account at the applicable NAV on the same date when the NAV is ex-dividend.

**Growth Option**

Under this Option, ordinarily no dividend shall be declared. All income earned and profits realized in respect of a Unit issued under the Option will continue to remain invested until repurchased and shall be deemed to have remained invested in the Option itself, which will be reflected in the NAV. However, the Trustees reserve the right to pay out dividends either based on a change in market conditions, tax regulations or any other situation that would make it more beneficial for Unit holders to receive dividends. In the interest of the Scheme(s) and the unit holders the AMC may consider providing returns to the unit holders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme after providing for all necessary recurring and other expenses.

**Growth Payout Plan (Auto Earning Payout Option)**

Under Auto Earning Payout Option, ordinarily no dividend shall be declared. However, under this Option, an automatic payout by way of redemption of units, equivalent/close to the amount/percentage (yield) of dividend declared under the Dividend Plan (monthly, quarterly or other intervals as the case may be) will be made to the unitholders. Subject to the above, income earned and profits realized in respect of a Unit issued under the Plan will continue to remain invested until repurchased and shall be deemed to have remained invested in the Plan itself, which will be reflected in the NAV.

**Growth Accumulation Plan**

Under Growth Accumulation Plan, ordinarily no dividend shall be declared. All income earned and profits realized in respect of a Units issued under this Plan of the Scheme will continue to remain invested until repurchase and shall be deemed to have remained invested in the Plan itself, which will be reflected in the NAV. However the Trustees reserve the right to pay out dividends either based on a change in market conditions, tax regulations or any other situation that would make it more beneficial for unitholders to receive dividends.

**Default Option**

Investors should indicate the Option for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the application form. In case of valid applications received without indicating any choice of Option, it will be considered as option for Growth option and

	processed accordingly. In case of valid application received without indicating any choice under Dividend option/facility, it will be considered as option for Dividend Re-investment and processed accordingly. In case of valid application received without indicating any choice under Growth facility where offered, it will be considered as option for Accumulation and processed accordingly.
<b>Allotment</b>	The allotment will be made where applications received are complete in all respects. However, an offer to purchase units is not binding on, and may be rejected by AMC, until it has been confirmed through an Account/Transaction Statement and payment has been received.
<b>Refunds</b>	Refund of subscription money to investors whose application is invalid for any reason whatsoever, or whose application has not been accepted in full will be without incurring any liability whatsoever for interest or other sum.
<b>Who can invest</b> This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile	<p>The following persons (subject wherever relevant to, purchase of Units being permitted under their respective constitutions and relevant State Regulations) are eligible to apply for purchase of units under the Scheme:</p> <p>(i) Resident Indian Nationals who are:</p> <ul style="list-style-type: none"> <li>▪ Adult individuals as sole holder,</li> <li>▪ Adult individuals not exceeding three jointly or on an either/anyone or survivor basis.</li> <li>▪ Parents/Lawful guardians on behalf of Minors.</li> <li>▪ Partnership Firms</li> <li>▪ Hindu Undivided Families(HUF), through their Karta acting or on behalf of the HUF</li> <li>▪ Institutions, Companies, Bodies Corporate, Public Sector Undertakings</li> <li>▪ Banks (including Co-operative Banks and Regional Rural Banks), Funds, Financial and Investment Institutions and Societies registered under the Societies Registration Act 1860 or Co-operative Societies, subject to their byelaws permitting them to invest in the units of the mutual fund,</li> <li>▪ Religious and Charitable Trusts, drafts or endowments and Private Trusts, under the provisions of Section 11(5) of Income tax Act, 1961 read with Rule 17(C) of Income tax Rules 1962 registered under the Societies Registration Act/Indian Trusts Act, Trustees of Private Trusts authorized to invest in mutual fund schemes under their trust deeds</li> <li>▪ Scientific and Industrial Research Organizations</li> <li>▪ Association of Persons/Body of Individuals, whether incorporated or not</li> <li>▪ Army/Air Force/Navy other paramilitary units and bodies created by such institutions besides other eligible institutions</li> <li>▪ Mutual Funds registered with SEBI</li> </ul> <p>(ii) Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India.</p> <p>(iii) Overseas Financial Organizations which have entered into an arrangement for investment in India, inter-alia with a Mutual Fund registered with SEBI and which arrangement is approved by the Central Government.</p> <p>(iv) Non-Resident Indians (NRIs)/Foreign Institutional Investors (FIIs) and Persons of Indian origin residing abroad, on a full repatriation basis or non-repatriation basis. Presently OCBs cannot invest in domestic mutual funds pursuant to RBI A.P. (DIR Series) Circular No.14 dated September 16, 2003.</p> <p>(v) Such other individuals/institutions/body corporate, etc. as may be decided by the Fund from time to time, so long as wherever applicable they are in conformity with regulations.</p> <p>(vi) Other Schemes of Principal Mutual Fund subject to the conditions and limits prescribed by applicable SEBI Regulations.</p> <p>(vii) The Trustees/Trust, AMC or Sponsor or its affiliates, its associate</p>

	<p>companies and subsidiaries may also subscribe to the units under this Fund.</p> <p>(viii) Pension/Gratuity/Superannuation Fund(s) and such other retirement and employee benefit and other similar Funds.</p> <p>The Trustees may accept an application from an unincorporated body of persons/trusts. The Trustees may from time to time add and review the persons eligible for making application for purchase of units under the Scheme.</p> <p>The Scheme has not been and will not be registered in any country outside India. To ensure compliance with any Laws, Acts, Enactment, etc. including by way of Circulars, Press Releases, or Notifications of Government of India, the Fund may require/give verification of identity/any special/additional subscription-related information from/ of the unitholders (which may result in delay in dealing with the applications, Units, benefits, distribution, etc./giving subscription details, etc.). Each unitholder must represent and warrant to the Trustees/AMC that, among other things, he is able to acquire Units without violating applicable laws. The Trustees will not knowingly offer or sell Units to any person to whom such offer or sale would be unlawful, or might result in the Fund incurring any liability or suffering any other pecuniary disadvantages which the Fund might not otherwise incur or suffer. Units may not be held by any person in breach of the law or requirements of any governmental, statutory authority including, without limitation, exchange control regulations. The Trustees may compulsorily redeem any Units held directly or beneficially in contravention of these prohibitions. In view of the individual nature of investment portfolio and its consequence, each unitholder is advised to consult his/her own professional advisor concerning possible consequences of purchasing, holding, selling, converting or otherwise disposing of the Units under the laws of his/her state/country of incorporation, establishment, citizenship, residence or domicile.</p> <p>Kindly note that neither the Statement of Additional Information; nor this Scheme Information Document, nor the Application for the Units, nor the Units ("these Documents") have been registered in any jurisdiction. The distribution of these Documents in certain jurisdictions may be prohibited or restricted or subject to registration requirements and accordingly, persons who come into possession of any of these Documents are required to inform themselves about and to observe, any such restrictions. No person receiving a copy of any of these Documents in such jurisdiction may act or treat these Document or any part/portion thereof as constituting an invitation to him to subscribe for Units, nor should he in any event use any such Documents, unless in the relevant jurisdiction such an invitation could lawfully be made to him and such Documents could lawfully be used without compliance with any registration or other legal requirements. Accordingly, none of these Documents (including or any part/portion thereof) constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to any one to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of any of these Documents and any persons wishing to apply for Units pursuant to these Documents to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.</p>
<b>How to Apply</b>	Please refer to the SAI and Application form for the instructions.
<b>Listing</b>	All the schemes being open ended, units of the Schemes will not be listed.
<b>Cut off timing for subscriptions / redemptions/ switches</b>	<p><b><i>Cut Off Time For Subscription / Switch – in / Sweep (PCMF and PMMF):</i></b></p> <p>1) Where the application is received up to 2.00 p.m. on a Business Day and</p>



**This is the time before which your application (complete in all respects) should reach the Official Points of Acceptance**

- funds are available for utilization before the cut-off time - the closing NAV of the day immediately preceding the day of receipt of application;
- 2) Where the application is received after 2.00 p.m. on a Business Day and funds are available for utilization on the same day - the closing NAV of the day immediately preceding the next Business Day; and
  - 3) Irrespective of the time of receipt of application, where the funds are not available for utilization before the cut-off time - the closing NAV of the day immediately preceding the day on which the funds are available for utilization.

Allotments for purchases in the Liquid Scheme(s) / Plan(s), as well as switch-ins from other schemes of Principal Mutual Fund into Liquid Scheme(s) / Plan(s), are subject to receipt of valid application / switch-in request at the Official Point of Acceptance and credit of entire subscription / switch-in amounts in the Bank Account of the concerning Liquid Scheme(s) / Plan(s) and funds available for utilization within relevant cut-off time specified above.

***Cut Off Time For Subscriptions/ Switch-in [Applicable for all other scheme(s)]***

- a. In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;
- b. In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable;
- c. In respect of the valid applications received with an outstation cheque or demand draft not payable on par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which the cheque or demand draft is credited shall be applicable.

Allotments in respect of purchases / switch-ins to the Scheme(s) / Plan(s) for an amount equal to or more than ₹1 crore are subject to receipt of valid application/ switch-in request at the Official Point of Acceptance and credit of entire subscription/ switch-in amounts into the Bank Account of the concerning Scheme(s) / Plan(s) and funds available for utilization by the Scheme(s) / Plan(s) within relevant cut-off time, being 3.00 p.m.

***Cut Off Time For Redemptions / Switch Out (PCMF and PMMF):***

- a. In respect of valid applications received upto 3.00 pm at the Official Points of Acceptance of Transactions, the closing NAV of the day immediately preceding the next business day shall be applicable; and
- b. In respect of valid applications received after 3.00 pm at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable.

***Cut Off Time For Redemptions / Switch-out (Applicable for all other schemes)***

- a. In respect of valid applications received upto 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the day of receipt of application shall be applicable.
- b. In respect of valid applications received after 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable

In case of 'switch' transactions from one scheme to another, the allocation shall

	<p>be in line with redemption payouts.</p> <p>The above cut-off timings shall also be applicable to investments made through “Sweep” mode available in the Dividend Option.</p> <p>Cut off time as mentioned above shall be reckoned at the Official Points of Acceptance of Transaction as disclosed on the back cover page of the Scheme Information Document, Key Information Memorandum and also on the web-site, <a href="http://www.principalindia.com">www.principalindia.com</a>.</p>
Where can the filled up applications for Purchase / Redemption / switches be submitted?	<p>Applications filled up and duly signed by the applicants for Purchase/Redemption/ switch requests should be submitted at any of the offices of the ISCs/Official Points of Acceptance nearest to you whose names and addresses (except of offices of eligible brokers) are mentioned on the last/back cover page of this Scheme Information Document.</p> <p>Investors can also subscribe and redeem units from the official website of AMC i.e. <a href="http://www.principalindia.com">www.principalindia.com</a>.</p> <p>Please refer the last / back cover page of this Scheme Information Document for name, address, contact no. and website address of the R&amp;T.</p> <p>For all investments under this plan it would be assumed that the investors have suitably authorized their respective brokers and are aware that their investments under the plan are subject to terms, conditions and risk factors set forth in this Scheme Information Document.</p>

**Minimum amount for purchase/redemption/swiches**

Scheme	Minimum Amount Investor)	Application (New)	Minimum Amount (Existing Investor)	Application	Minimum Redemption Amount
<b>Principal Debt Savings Fund - MIP</b>	₹5000/- and amount thereafter under each plan/option		₹500/- and amount thereafter under each plan/option		₹500/- or 50 units
<b>Principal Debt Savings Fund – Retail Plan</b>	<i>SIP/STP/SWP: Minimum six installments of ₹500/- each</i>				
<b>Principal Income Fund – Long Term Plan</b>	₹5,000/- and any amount thereafter under each option		₹500/- and any amount thereafter under each option		₹500/- or 50 units
	<i>SIP/STP/SWP: Minimum six installments of ₹500/- each</i>				
<b>Principal Income Fund – Short Term Plan</b>	₹5,000/- and any amount thereafter under each option		₹500/- and any amount thereafter under each option		₹500/- or 50 units
	<i>SIP/STP/SWP: Minimum six installments of ₹500/- each</i>				
<b>Principal Debt Opportunities Fund – Conservative Plan</b>	₹5,000/- and any amount thereafter under each option		₹1000/- and any amount thereafter under each option		₹500/- or 50 units
	<i>SIP/STP/SWP: Minimum six installments of ₹500/- each</i>				



<b>Principal Debt Opportunities Fund – Corporate Bond Plan</b>	<p>₹5,000/- and any amount thereafter under each option</p> <p><i>SIP</i>: Minimum six installments of ₹1000/- each</p> <p><i>STP/SWP</i>: Minimum six installments of ₹500/- each</p>	₹1000/- and any amount thereafter under each option	₹500/- or 50 units																				
<b>Principal Cash Management Fund</b>	<p>₹5,000/- and any amount thereafter under each option</p> <p><i>STP/SWP</i>: Minimum six installments of ₹500/- each</p>	₹1000/- and any amount thereafter under each option	₹1000/- or 100 units.																				
<b>Principal Retail Money Manager Fund</b>	<p>₹5,000/- and any amount thereafter under each option</p> <p><i>STP/SWP</i>: Minimum six installments of ₹500/- each</p>	₹1000/- and any amount thereafter under each option	₹1000/- or 100 units																				
<b>Principal Bank CD Fund</b>	<p>₹5000/- and any amount thereafter under each option</p> <p><i>SIP</i>: Minimum six installments of ₹1000/- each</p> <p><i>STP/SWP</i>: Minimum six installments of ₹500/- each</p>	₹1000/- and any amount thereafter under each option	₹1000/- or 100 units																				
<b>Principal Government Securities Fund</b>	<p>₹5,000/- and any amount thereafter under each option</p> <p><i>SIP/STP/SWP</i>: Minimum six installments of ₹500/- each</p>	₹500/- and any amount thereafter under each option	₹500/- or 50 units																				
<b>Minimum balance to be maintained and consequences of non maintenance</b>	At present investor are not required to maintain minimum balance in their respective folios, however the AMC/Trustees reserves the right to change it at any future date by giving advance notice.																						
<b>Special products available/Facilities available on an ongoing basis.</b>	<p>The Fund reserves the right to amend or terminate or introduce special facilities in the SID. The current special facilities offered are as follows:</p> <p><b>1) Systematic Investment Plan (Applicable for the Scheme(s) which provide this facility)</b></p> <p>Systematic Investment Plan (SIP) is available for planned and regular investments. Under SIP, unit holders can benefit by investing specified rupee amounts periodically for a continuous period. This concept is called Rupee Cost Averaging. This program allows unit holders to save a fixed amount of rupees every month/quarterly by purchasing additional units of the Scheme.</p> <p><b>Example</b></p> <p>Let us take an example of a unit holder who invests ₹3000/-per month</p> <table border="1"> <thead> <tr> <th>Month</th><th>NAV</th><th>Amount (₹)</th><th>Units</th></tr> </thead> <tbody> <tr> <td>April 1</td><td>10.50</td><td>3000</td><td>285.71</td></tr> <tr> <td>May 1</td><td>10.65</td><td>3000</td><td>281.69</td></tr> <tr> <td>June 1</td><td>10.05</td><td>3000</td><td>298.50</td></tr> <tr> <td>July 1</td><td>9.75</td><td>3000</td><td>307.69</td></tr> </tbody> </table>			Month	NAV	Amount (₹)	Units	April 1	10.50	3000	285.71	May 1	10.65	3000	281.69	June 1	10.05	3000	298.50	July 1	9.75	3000	307.69
Month	NAV	Amount (₹)	Units																				
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August 1	9.60	3000	312.50
September 1	9.50	3000	315.79
October 1	9.25	3000	324.32
November 1	9.05	3000	331.49
December 1	8.90	3000	337.08
January 1	8.75	3000	342.86
February 1	8.50	3000	352.94
March 1	8.80	3000	340.91
<b>TOTAL</b>		<b>36000</b>	<b>3831.48</b>

**Note:** The figures of NAV are hypothetical and are for illustrative purposes only.

At the end of one year the unitholder would have 3831.48 units.

Rupee Cost Averaging does not guarantee a profit nor protect against a loss. Rupee Cost Averaging can smooth out the market's ups and downs and reduce the risk of investing in volatile markets.

#### **Features of SIP:**

- a. SIP Applications will be accepted on any working day of the month: Accordingly the units will be allotted on the date of receipt of valid SIP Application along with a SIP investment cheque dated not beyond the date of the Application. Thereafter the date for the first SIP installment shall be 1<sup>st</sup>, 5<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup> of a particular month ("specified dates for SIP investments") as selected by the Investor OR the nearest date amongst the Specified Date subsequent to receipt of the application, as the case may be after completing a minimum time gap of 30 days from the date of the first SIP investment cheque. E.g. If a duly completed SIP enrolment is received within the applicable cut-off timings on January 27, 2012 along with a valid cheque dated not beyond January 27, 2012, for a SIP investment of ₹ 500/- per month (together with 5 or more post - dated cheques each for a minimum of ₹ 500/-), the units will be allotted on January 27, 2012 with the scheme applicable NAV, and the next SIP date [first SIP Installment date] will be March 1, 2012 or immediately following business day if March 1, 2012 is a non-business day OR such other date amongst the Specified Dates as per the application form.
- b. Investors, who wish to opt for ECS (debit clearing) facility available with select banks, should ensure that there is a minimum time gap of 30 days between the first cheque for SIP enrolment and first installment of SIP through ECS or Direct Debit. Dishonoured cheque(s) may not be presented again for collection.
- c. Unit holders need not submit a copy of cancelled cheque provided the SIP Auto Debit Facility Enrolment Form is attested by the Bank from which SIP installments will be debited.
- d. Unit holders have the right to discontinue the SIP facility at any time by sending a written request to any of the designated Investor Service Centers (ISCs) of Principal Mutual Fund. Please also note that notice of such discontinuation should be received at least 18 working days (as against the existing provision of 7 working days) prior to the due date of the next SIP installment.
- e. SIP enrolment will be discontinued by Principal Pnb Asset Management Company Pvt. Ltd. [AMC] in case [a] the SIP installment is not honored consecutively for three SIP installments, [b] the Bank account [for ECS (Debit Clearing) and/or Standing Instruction for direct debit] is closed and the request for change in bank account is not submitted by the concerned

unit holder at least 18 working days before the due date of next SIP installment. Further, in such cases the balance cheques, if any, will be returned to the unit holder.

**Micro SIP:**

Pursuant to SEBI's communication to AMFI vide its letter dated June 19, 2009; AMFI has issued guidelines for uniform implementation of the said SEBI letter. In accordance to the same, Systematic Investment Plans (SIP) up to ₹50,000/- per year per investor ('Micro SIP') shall be exempt from requirement of PAN.

However, effective January 1, 2012, new Investors registering for Micro SIP have to mandatorily submit KYC acknowledgement letter.

This exemption of PAN will be applicable ONLY to investments by individuals (including NRIs but not PIOs), Minors and Sole proprietary firms. HUFs and other categories will not be eligible for Micro SIPs. Details on Micro SIP are available in Statement of Additional Information.

**Systematic Investment Plan (SIP) for Corporate Employees.**

With a view to encourage employees of Corporate to invest their savings into the various Schemes of our Mutual Fund, Principal Mutual Fund provides an investment facility to the employees of Corporate under the Employee Savings Plan (ESP).

This feature will be guided by the terms and conditions as laid down below:

1. Under this feature the employees can submit application vide the normal application and/or ESP Forms. The employee is required to fill the details in the normal application/ ESP form providing the details of amount and duration of such SIP installments and the details of such investment should also be provided to the Human Resources Department of such Corporate (HRD).
2. The employees should instruct the HRD to deduct the amount of Investment every month / quarter from their salary for such period as indicated by him / her. Such periodicity shall be monthly or quarterly.
3. The minimum amount and periodicity, to be contributed to open an account under this option is as per the minimum scheme requirements as prescribed under Systematic Investment Plan/additional subscription of the Scheme.
4. The periodic employee contribution should be the minimum application amount and the same should be higher than that of SIP. The employee has an option to select either 1<sup>st</sup> of 5<sup>th</sup> of every month for such investment.
5. The employee can seek redemption independently.
6. The applicable NAV for application received under such plan, will be as per the date and time (refer to section on cut off timing) on which the request / payment instrument and sheet detailing the list of Investment of such employees, is received from HRD of such Employees at the Official Points of Acceptance of AMC .

**2) Systematic Transfer/Switch Plan (Applicable for the Scheme(s) which provide this facility)**

The unitholder may set up a Systematic Switching Plan on a monthly, quarterly, semi-annual or annual basis to exchange a fixed number of units and

/or amount in one scheme to another scheme or one plan/option to another.

Once the unitholder sets up a Systematic Switching Plan the plan would continue until:

- the unitholder instructs the Fund to stop periodic switching in writing; or
- the unit holder's account balance is zero.

The unitholder has an option to select 1<sup>st</sup>, 11<sup>th</sup> or 21<sup>st</sup> day of the month on which the Systematic Switch is to be made.

If the selected date is not a business day, the switch will take place on the next business day.

All switches are subject to the minimum investment and eligibility requirements of the switch in scheme

The amount thus switched shall be converted into the respective scheme units at the applicable NAV, subject to an exit load, if any (on which date the payment/switch is scheduled), and such units will be subtracted from the unit balance of that unitholder. The minimum balance amount needed for the Systematic Switch Plan may be altered from time to time at the discretion of the AMC.

Unitholders may change the amount of systematic withdrawal/switch but not below the specified minimum amount of repurchase for a particular Scheme by giving 30 days written notice to the Registrars/AMC. The various triggers for activating a systematic withdrawal and/or switch facility can also be used for activating a normal repurchase and/or switch facility.

### **3) Systematic Withdrawal Plan (Applicable for the Scheme(s) which provide this facility)**

A unitholder may avail of the Systematic Withdrawal Plan and receive regular payments from the account. The unitholder has an option to select 1<sup>st</sup>, 11<sup>th</sup> or 21<sup>st</sup> day of the month on which the Systematic Withdrawal is to be made.

The unitholder may set up a Systematic Withdrawal Plan on a monthly, quarterly or semi-annual or annual basis as follows:

- Redeem a fixed number of units
- Redeem a fixed amount-

Once the unitholder sets up a Systematic Withdrawal Facility the plan would continue until:

- The unitholder instructs the Fund to stop periodic withdrawal in writing; or
- The unit holder's account balance is zero
- On expiry of the time/period specified by the unitholder

Withdrawal payments will be endeavored to be sent within 3 Business Days after the repurchase date. The minimum balance amount needed for the Systematic Withdrawal Plan may be altered from time to time at the discretion of the AMC.

Unitholders may change the amount of systematic withdrawal/switch but not below the specified minimum amount of repurchase for a particular Scheme by giving 30 days written notice to the Registrars/AMC. The various triggers for activating a systematic withdrawal and/or switch facility can also be used for activating a normal repurchase and/or switch facility.

#### **4) Switch Facility**

The unitholders under a Scheme can opt to switch units between Dividend Option and Growth Option and any other plans / options, at Applicable NAV based prices, other than who have encumbrances of their investment. Besides the Unitholders under the Scheme may opt to switch, for units of the other select open ended Scheme (existing and /or to be launched in the future) of the Fund at applicable NAV based prices of the respective Scheme.

In the case of NRIs, FIIs etc., this will be subject to necessary approval (if any) from the Reserve Bank of India and any other approval as applicable. Tax deduction at source, if any, will be effected at the appropriate rate in case of a switch and the balance amount would be utilized to exchange units to the other Scheme.

Unitholders should note that each switch option represents the simultaneous repurchase of units from one scheme (which may result in a capital gain or loss) and the subscription of units in another scheme.

A request for switch may be specified either in terms of amount or in terms of the number of units of the scheme from which the switch is sought. Such instructions may be provided in writing by completing the switch form or using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement and lodging the same on any business day at any of the Official Points of Acceptance. The switch will be effected by redeeming units from the scheme in which the units are held and investing the net proceeds in the other Scheme, subject to the minimum balance applicable for the respective Scheme.

The price at which the units will be switched out of the scheme / into the scheme will be based on the applicable NAV of the relevant Scheme and after considering any exit loads. The Switch request will be subject to the minimum application amount and other terms and conditions of the scheme for which the Switch request has been made.

#### **5) TRIGGERS (Applicable for the Scheme(s) which provide this facility)**

Under this facility, the unit holders may opt for withdrawal and/or switch in the normal manner based on the value of investment either reaching upto or below or above/beyond a specified particular value; the capital appreciation/gains realization either equals to or becomes more/lower than a specified particular amount or percentage on happening of a particular event, on a particular date etc. (with or without lock in for a particular period). Trigger thus acts as a financial planning tool for information and the unit holder may subsequently continue in the scheme or otherwise withdraw/switch. For e.g. an account may be monitored and the unit holder either informed or account redeemed (no redemption will be permitted if under lock-in) as and when the balance reaches or crosses (rise or fall) a desired value or after a certain period of time etc. This helps the unit holders to minimise the loss and/or book timely profits. In case of triggers linked with events/dates, on realisation of gains (equal to/beyond/lower than), a specified amount/full amount/gains/appreciation etc. would be redeemed and paid either when the investment reaches upto and/or beyond (above or below) a particular value or after a particular period of time.

In case of triggers linked with gains/appreciation, at the option of the unit holder, either the amount equivalent to gains/appreciation would be redeemed or the full original investment amount would be redeemed and the gain/appreciation component paid to the unit holder/switched into other scheme/plan, and the original investment amount would be reinvested either in

the same scheme/plan or any other scheme/plan.

## ACTIVATION OF TRIGGER

Unit holders shall note that NAV of a scheme is determined on close of the business day taking into consideration closing prices of the securities on the primary stock exchange (*please refer to clause on “Valuation Policy” in the SAI & “Computation of NAV” in the SID*). Intra-day prices are not considered for valuing the Scheme’s portfolio. Value of the unit holder’s unit balance at the end of a relevant business day based on that day’s NAV and closing value of a relevant index of a stock exchange would be used as a base for activating the triggers. However all redemptions/switches/reinvestments etc. linked to triggers will always be at the applicable NAV based prices of the day on which the event occurs.

Please also note that the trigger is an additional facility provided to the unit holders to save time on completing the redemption/switch formalities on happening of a particular predetermined event. Trigger is not an assurance on part of AMC/Fund to the investor that he/she will receive a particular amount of money/appreciation and/or a percentage on redemption or will get a particular amount of capital appreciation or will minimise the loss to investor to a particular amount or percentage. Trigger is an event on happening of which the Fund will automatically redeem and/or switch the units on behalf of the investors on the date of happening of the event. In actual parlance, a trigger will activate a transaction/alert when the event selected for has reached a value greater or less than the specified particular value (trigger point).

Unit holders can opt from any one of the following event under trigger option;

1. *When value of investment of the unit holder reaches or crosses a particular value/falls to or closes below a particular value*

### **Eg. Investment Value reaches or crosses ₹11000/-**

#### **Trigger Activation**

If investment value at NAV based price is less than ₹ 11,000/-, trigger will be activated when value of the units at NAV held by unit holders rises to ₹ 11000/- or more on close of any business day.

### **Eg. Investment Value falls to or closes below ₹ 11000/-**

If investment value at NAV based price is more than ₹ 11,000/-, trigger will be activated when value of the units at NAV held by unit holders falls to ₹ 11000/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of units held by unit holders reaches or crosses or falls below ₹ 11,000/-.

2. *Capital appreciation of a particular amount*

### **Eg. Capital appreciation by ₹ 1000/-**

#### **Trigger Activation**

Trigger will be activated when value of units invested at NAV based price appreciate by ₹ 1000/- or more at NAV on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of investment held by unit holders increases by at least ₹1000/-.

3. *NAV reaches or crosses a particular value*

### **Eg. NAV reaches or crosses ₹ 11/-**

### **Or when NAV falls to or closes below ₹ 11/-**

#### **Trigger Activation**

If NAV on the date of allotment of investment is less than ₹11/-, trigger will be activated when NAV rises to ₹11/- or more on close of any business day. If NAV on the date of allotment of investment is more than ₹11/-, trigger will be activated when NAV falls to ₹11/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day



on which NAV reaches or crosses or falls below ₹11/-.

*4. BSE Sensex reaches or crosses a particular value*

**Eg. BSE Sensex reaches or crosses 16000**

**Or when BSE Sensex falls to or closes below 16000**

Trigger Activation

If BSE Sensex on the date of allotment of investment is less than 16000, then trigger will be activated when BSE Sensex rises to 16000 or more on close of any business day. If BSE Sensex at the time of investment is more than 16000, then trigger will be activated when BSE Sensex falls to 16000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the BSE Sensex reaches or crosses or falls to or closes below 16000 mark.

*5. NSE Nifty reaches or crosses a particular value*

**Eg. NSE Nifty reaches or crosses 5000**

**Or when NSE Nifty falls to or closes below 5000**

Trigger Activation

If NSE Nifty on the date of allotment of investment is less than 5000, then trigger will be activated when NSE Nifty rises to 5000 or more on close of any business day. If NSE Nifty on the date of allotment of investment is more than 5000, trigger will be activated when NSE Nifty falls to 5000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the NSE Nifty reaches or crosses or falls below 5000 mark.

*6. On a particular day or date*

**Eg. On 31/1/2012**

Trigger Activation

Trigger will be activated on 31/1/2012. All transactions linked with trigger will be on the basis of NAV of 31/1/2012 or on 1/2/2012 if 31/1/2012 is not a business day.

*7. Change in the value of units (held by unit holders) at least by certain percentage*

**Eg Change in Investment Value at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when value of the units at NAV based price invested by unit holders rises to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders falls by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either rises by 10% or more at NAV or falls by 10% or more on close of any business day.

Percentage rise or fall in value of units will be calculated on the amount invested by the unit holders.

*8. Capital appreciation of at least a certain percentage*

**Eg. Capital appreciation of at least (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when value of the units at NAV based price invested by unit holders appreciate to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders depreciates by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either appreciates by 10% or more at NAV or depreciates by 10% or more at NAV on close of any business day.

Difference between the value of units on close of a business day (at NAV) and

amount invested (at NAV based price) will be used as a base for calculating percentage of capital appreciation.

*9. Change in the NAV at least by a certain percentage*

**Eg. Change in NAV at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when the NAV of the units rises by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units either rises by 10% or more or falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment

**Percentage rise or fall in NAV will be calculated comparing NAV on a particular business day with the NAV on the date of allotment of investment.**

*10. Change in the BSE Sensex at least by a certain percentage*

**Eg. Change in BSE Sensex at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when the BSE Sensex rises by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex either rises by 10% or more or falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment.

Percentage rise or fall in BSE Sensex will be calculated comparing BSE Sensex on a particular business day with the BSE Sensex on the date of allotment of investment.

*11. Change in the NSE Nifty at least by a certain percentage*

**Eg. Change NSE Nifty at least by (+ or — or +) 10%**

Trigger Activation

Trigger will be activated when the NSE Nifty rises by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty either rises by 10% or more or falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment.

**Percentage rise or fall in NSE Nifty will be calculated comparing NSE Nifty on a particular business day with the NSE Nifty on the date of allotment of investment;**

On happening of any of the above mentioned events, the Unit holder can opt for the following action on the date of happening of the relevant event;

- Full redemption
- Redemption of gains only
- Full switch into other Scheme / Option of Principal Mutual Fund
- Switch of only gains into other Scheme/Option of Principal Mutual Fund
- Full Redemption: Original investment amount reinvested in any scheme of Principal Mutual Fund and gains paid to unit holder
- Full redemption: Gains reinvested in any Scheme/Option of Principal Mutual Fund and investment amount paid to unit holder
- Redemption of certain number of units
- Redemption of certain amount

Transactions linked with the triggers will be at the applicable NAV based price



of the business day on which the event takes place. Further all the predetermined events i.e. the value of the unit balance, capital appreciation, NAV, BSE Sensex, NSE Nifty will be compared with the value of units, NAV, BSE Sensex and NSE Nifty prevailing on the date of investment (i.e. date of allotment) irrespective of the fact whether the trigger is opted on the date of allotment of investment or subsequently. For Eg. an investor has invested at ₹11/- and opted for full redemption if NAV appreciates at least by 10%. Trigger will be activated on the business day when NAV moves to ₹12.10 (i.e. 10% more than ₹ 11/-) or more.

Triggers(s) linked to BSE Sensex or NSE Nifty will always compare the value of BSE Sensex or NSE Nifty on close of business day. In case BSE or NSE is open on a non-business day, its value will not be considered even if it reaches or crosses a trigger value, and on any subsequent business day if the value of BSE or NSE is reached, the same would be considered for trigger purposes. For Eg. A unit holder has opted for full redemption if NSE Nifty reaches or crosses 5000 mark. If NSE is open on January 1, 2012, but it is not a business day for the Fund, trigger will not be activated (i.e. redemption will not take place) even though closing value of Nifty as on January 1, 2012, is 5000 or more.

The closing value of BSE Sensex/NSE Nifty on non-business day will be ignored for trigger activation. A trigger once activated will not be reactivated in any other scheme where the switch/reinvestment happens or in the same scheme which retains part of the value or in case of normal redemption/switch before trigger activation. Triggers will be deactivated on redemption and/or switch and/or pledge of units except in case where only gains are to be redeemed or switched and opted for the same in the trigger form.

## **6) Future Goal Series**

The Future Goals Series is a carefully structured suite of scheme(s) designed to meet a wide range of investment needs. Not only do unit holders have a comprehensive choice of schemes(s) and plans within these scheme(s), but also it is easier for unit holders to move between Scheme(s) as their needs change. Initially four schemes namely Principal Growth Fund (open ended equity scheme), Principal Income Fund (open ended income scheme), Principal Balanced Fund (open ended balanced scheme) and Principal Cash Management Fund (open ended liquid scheme) were launched as part of Future Goals Series. Subsequently Principal Index Fund (open ended index scheme), Principal Government Securities Fund (open ended dedicated Government Securities scheme investing in government securities), Principal Debt Savings Fund (open ended income fund), Principal Debt Opportunities Fund (open ended debt scheme), Principal Dividend Yield Fund (open ended equity scheme), Principal Global Opportunities Fund (Open-ended fund of funds scheme), Principal Large Cap Fund (Open - ended equity scheme), Principal Services Industries Fund (Open - ended equity scheme), Principal Bank CD Fund (open ended debt scheme), Principal Retail Money Manager Fund (open ended liquid scheme), Principal Emerging Bluechip Fund (Open - ended equity scheme), Principal Retail Equity Savings Fund (open ended equity Scheme) and Principal Smart Equity Fund (open ended equity scheme) launched by Principal Mutual Fund have been included as a part of Future Goal Series.

## **ASSET ALLOCATION – THE CONCEPT EXPLAINED**

The investor has an option to invest in two or more of the eligible Scheme(s) under the Asset Allocation Programme to allocate his investment across different asset classes at the time of investment. The allocation would differ for different investor classes at different stages of their lifecycle – for example a

young investor may typically invest more in higher return – higher risk assets like equities. Each investment type has a different level of risk and potential return associated with it. One way of reducing risk over short periods of time is to spread/allocate the investment into different investment types i.e. asset allocation between different asset classes i.e. different scheme(s).

Different investment types tend to experience good performance at different times. By not having all the investment in one asset class, a unitholder can offset the higher returns expected in one investment to offset any poor performance that may occur from another asset class. A diversified programme such as The Future Goals Asset Allocation Programme attempts to overcome the inherent volatility of any particular investment types and will typically enable the unitholder to invest across equity, fixed income products and short-term money market/cash products.

Asset Allocation takes diversification one step further. It seeks to find what proportions of equity and debt investments work together most efficiently to achieve the highest return possible for a certain level of risk. While asset allocation cannot guarantee a profit, it is a way for most unitholders to increase potential returns and reduce risk.

The asset allocation programme works on the following principles:

- Allocation of investment to different asset classes by the unitholder at the time of investment
- Rebalancing the portfolio at periodic intervals by the AMC to maintain the stated proportion in the same applicable ratio as stated by the unitholder at the time of original investment unless changed.

The rebalancing mechanism at periodic intervals would ensure that if there are changes in the market value of assets under a certain class causing the proportion of investment in that asset class to increase/decrease from the originally stated allocation, on the rebalancing date, the AMC would add/reduce assets in that class. Therefore, on all rebalancing dates, the asset proportion ratio would match those indicated by the unitholder at the time of original investment.

**Example:**

The concept of asset allocation is further clarified through an illustrative example. Investor A invests ₹1,00,000/- in the following proportion on January 1, 2012 and the reallocation date is on a half yearly basis:

January 1, 2012

	Proportion	NAV per Unit	No. of Units	Amount (₹)
Growth Fund	50%	10	5000	50000
Income Fund	30%	10	3000	30000
Balanced	10%	10	1000	10000
MIP Fund	10%	10	1000	10000
Total	100%		10000	100000

In the period between the date on which the investment is made and the date of rebalancing i.e. September 30, 2012 the markets react and the values of the Investments of Investor A are valued as follows:

**Reallocation date (before reallocation)**

	Proportion	NAV per unit	No. of Units	Amount (₹)
Growth Fund	57%	15	5000	75000
Income Fund	27%	12	3000	36000
Balanced	8%	11	1000	11000
MIP Fund	8%	11	1000	11000
Total	100%		10000	133000

The unitholders' assets will then be rebalanced i.e. assets in some scheme(s) will be bought by the sales proceeds of other scheme(s) by way of inter scheme switch, to bring the total investment of the unitholder back to the originally nominated person:

**Reallocation date (after reallocation)**

	Proportion	NAV per unit	No. of Units	Amount (₹)
Growth Fund	50%	15	4,434	66,502
Income Fund	30%	12	3,325	39,900
Balanced	10%	11	1,209	13,299
MIP Fund	10%	11	1,209	13,299
Total	100%		10,177	133000

\*Units rounded off to whole numbers

The features of Future Goals - Asset Allocation Programme are as explained below:

**Minimum Number of Schemes in which the Unitholder must Invest:**

Under the asset allocation programme, a unitholder must invest in and remain invested in at least two Scheme(s). At the discretion of the AMC it may introduce further schemes into the Future Goals - Asset Allocation Programme at a later date or may increase the minimum number of scheme(s) that the unitholder should invest in.

**Investment Direction:**

The unitholder must at the time of investment indicate the investment direction that he/she wishes to opt for. This would mean that the unitholder must mark the percentage of the total investment that he/she would like to invest in each of the Scheme(s).

**Example:**

Mr. X, age 45 is a unitholder who wishes to have a regular income stream but also some possible upside. His choice may be as below:

Growth	Income	Balanced	MIP	Total
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25%	50%	15%	10%	100%
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Ms. Y, age 30 is a unitholder who is willing to take a larger risk but would like to have a high return that is also tax efficient. Her choice may be as follows:

Growth	Income	Balanced	MIP	Total
60%	8%	30%	2%	100%

Every unitholder must at the time of investment provide details about the investment direction that he/she wishes to follow.

At any time (subject to 4 times in a Calendar year) during the investment period as stated in the “switching clause” the unitholder may change / alter the investment direction keeping the total at 100%. The unitholder may switch or simply instruct the new scheme wise percentage to the AMC for altering the investment direction. The Investment Manager would also be designing model portfolios representing different Scheme(s) of the Fund, containing debt and equity, and therefore the models would vary in their degree of return potential. The unitholder may select a model that matches his risk tolerance with his need for the income and growth potential. The unitholder must send any change in investment direction duly signed in writing to the Fund. It will be the endeavour of the AMC to process the change in investment direction as soon as possible. The maximum time that the AMC can take (under normal circumstances) to change the investment direction of the unitholder is 3 Business Days.

#### Minimum Investment Amount

The minimum investment amount for participating in the Future Goals - Asset Allocation Programme is ₹10,000/- and in multiples of ₹ 1/- with subsequent investment of ₹ 1000/- and in multiples of ₹ 1/- thereafter. The minimum initial investment requirement for each Scheme would be waived. The AMC reserves the right to reduce or increase this amount at any time or for any group of investors.

#### Switching and Loads

The unitholder is allowed **four switches** (or as may be decided by the AMC) per calendar year between the various Schemes under the Future Goals - Asset Allocation Programme or between various plans within the same Schemes of the programme so as to enable him change the investment direction i.e. the asset proportion ratio. The exit load payable on switch/leaving Scheme (a) will be waived unless the unitholder chooses to withdraw his investment from a minimum of two or more Schemes or otherwise under/from the Programme of the Fund. Any switch would thus have the effect of changing the investment direction.

#### Sales and Load

The unitholder can at any time subscribe to the units of the Scheme(s) under the programme either for the first time or otherwise. If the subscription is subsequent to the initial investment, then the unit holder has to specify the investment direction (between two or more Scheme(s) or for a particular Scheme) The subscription would be at applicable NAV based price (with applicable loads). If no investment direction is stated then, the original asset proportion direction would be used. Any subscription would thus have the effect of changing the investment direction till the time Automatic Re-balancing is done at the original asset proportion direction.

### **Repurchase and Load**

The unitholder can at any time seek repurchase / redemption of units of the Scheme(s) under the program either in full or in part for a particular Scheme or Scheme(s). The unitholder can also seek repurchase / redemption of that quantity/amount so as to maintain the same investment direction. The redemption would be at applicable NAV based price (with applicable loads). Any repurchase would thus have the effect of changing the investment direction till the time Automatic Re-balancing is done at the original asset proportion direction. Systematic withdrawals can be set up on a monthly, quarterly, semi-annually or annual basis. Withdrawals are drawn from the portfolio in percentages which equate to the percentage of each Scheme held in the portfolio, unless requested otherwise.

### **Automatic Re-balancing**

Based on the conditions and performance of different Scheme(s) in which the Unitholder has invested and also if he has done any fresh subscription and /or redemption, the proportion/percentage of his investment in different Scheme(s) may change between two dates when Automatic Re-balancing can happen.

The AMC would at the end of each calendar half year, i.e., on June 30 and December 31 (immediate next business day in case these days are holidays) of each year or any other date as may be deemed fit and necessary by the AMC for the benefit of unitholders taking into account the market conditions, etc., automatically re-balance the investments of the unitholder in the proportion as stated by the unitholder at the time of original investment, unless changed (maximum upto 4 times in a calendar year) by the unitholder in writing. In alternative to the above, at the choice of the unitholder, rebalancing can be done at prefixed intervals i.e. quarterly, semiannually, annually or by request or any such period as the AMC may permit on specific request of the unitholder. Besides the unitholder also has the option to select the date on which the re-balancing is desired. If no date is selected the regular re-balancing would then be done at a date which would fall after the interval selected from the date of allotment of units. For example, if the period selected by the unitholder is quarterly and his date of allotment is say October 31, 2011, then the re-balancing would be done (if no date is selected) after 90 days on the 91st day from October 31<sup>st</sup>, 2011 i.e. January 29, 2012. If the period & date is not provided, automatic rebalancing will be completed on 30th day of June & 31st day of December, or the following business day if 30th June & 31st December is not a business day. The unitholder can also request no re-balancing of his investments. The re-balancing would be by way of switch between Schemes which may have tax consequences. Automatic Re-balancing assures that the risk/ return mix is within comfort zone.

### **7) TRANSACTION THROUGH STOCK EXCHANGE MECHANISM**

Pursuant to the provisions of SEBI circular no. bearing reference SEBI/MD/CIR No. 11/183204/2009 dated November 13, 2009 and guidelines issued by National Stock Exchange (NSE) thereafter, the below mentioned eligible schemes of Principal Mutual Fund (PMF) have been admitted on the order routing platform of NSE w.e.f. April 19, 2010 enabling investors to submit applications for subscription and redemption there under:-

<b>Name of the Scheme(s)</b>	<b>Type of Scheme(s)</b>
Principal Debt Savings Fund – Monthly Income Plan	An open ended Income Fund. Monthly income is not assured and is subject to the availability of distributable surplus.

**The salient features of this facility are as follows:**

1. Purchase/redemption of units will be available to both existing and new investors. Currently switching of units, Systematic Investment Plan, Systematic Transfer Plan, Systematic Withdrawal Plan will not be permitted through this facility.
2. The list of eligible schemes is subject to change from time to time.
3. In order to facilitate transactions through stock exchange infrastructure, NSE has introduced Mutual Fund Service System (MFSS). All trading members of NSE registered as Participants with NSE [Eligible Brokers] and/or registered Clearing Members of National Securities Clearing Corporation Limited (NSCCL) [Clearing Members] who are registered with AMFI as mutual fund advisors and who are empanelled with Principal Pnb Asset Management Company Pvt. Ltd. (AMC) will be eligible to offer this facility to the investors. Further, only for the purpose of processing redemption request Depository Participant of Depositories who are registered with AMFI as mutual fund advisors and empanelled with AMC are eligible for processing redemption transaction.

Eligible investors who are willing to transact under this facility are required to register themselves with Eligible Broker/Clearing Members/Depository Participants.

4. The units of eligible schemes are not listed on NSE and the same cannot be traded on stock exchange like shares. The window for purchase/redemption of units on NSE will be available between 9.00 a.m. to 3.00 p.m. or such other timings as may be decided.
5. All Eligible Brokers/Clearing Members/Depository Participants will be considered as the Official Point of Acceptance for the transactions done under this facility.
6. Investors have an option to hold units in physical form or in dematerialized form.
7. International Security Identification Number (ISIN) in respect of plans/options of the eligible schemes have been created and admitted in National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
8. Investors will be able to purchase/redeem units in the eligible schemes in the following manner:

**I. Physical form:**

- (i) Investors desirous of transacting (subscription/redemption) through NSE should approach an Eligible Broker/Clearing Members/Depository Participant along with duly filled in application form and other documents (including KYC and PAN) as may be required. The payment for subscription should be made to the eligible broker.
- (ii) Dispatch of accounts statements and payment of redemption proceeds will be made by the Mutual Fund / registrar directly to the investor. Based on the information provided by the investor the redemption payout shall be to the investor's bank account registered with the Mutual Fund.
- (iii) Investors will be allotted on provisional basis till the time AMC/Karvy Computershare Pvt. Ltd. (registrar) has received all the documents from eligible brokers. Redemption requests received for units allotted on provisional basis shall be rejected.
- (iv) In case investor desires to convert the existing physical units into dematerialize form, the request for the same will have to be submitted to



the Depository Participant.

## II. Dematerialized Form :

- (i) Eligible investors having a beneficiary account with a Depository Participant may avail the facility to subscribe units in dematerialize form.
- (ii) Eligible investor desirous in transacting (Subscription/redemption) through NSE should place an order with Eligible Broker/Clearing Member/Depository Participant:-

(a) **In case of subscription**, the payment of subscription money should be made to the Eligible Broker / Clearing Member. Investors shall receive units through Eligible Broker / Clearing Member's pool account. Principal Mutual Fund (PMF) / Principal Pnb Asset Management Company Private Limited (PAMC) would credit the units to Eligible Broker / Clearing Member's pool account and the Eligible Broker/Clearing member in turn to the respective investor.

(b) **In case of redemption**, investors shall receive redemption amount through Eligible Broker / Clearing Member's /Depository Participant's pool account. Payment of redemption proceeds will be made by PMF / PAMC to the Eligible Broker / Clearing Member /Depository Participant and the Eligible Broker / Clearing Member/Depository Participant in turn to the respective Investor.

Payment of redemption proceeds to the Eligible Broker/Clearing Members/Depository Participant by PMF / PAMC shall discharge PMF / PAMC of its obligation of payment to individual investor. Similarly, in case of subscription, crediting units into Eligible Broker/Clearing Member pool account shall discharge PMF / PAMC of its obligation to allot units to individual investor.

- 9. Applications for purchase/redemption of units which are incomplete/invalid are liable to be rejected.
- 10. For any complaints or grievances against the Eligible broker/Clearing Member/Depository Participants with respect to transactions done through NSE, the investor should either contact the concerned Eligible Broker/Clearing Member/Depository Participants or Investor Grievance Cell of NSE. In case of non-financial request/applications such as change in address, change in bank details etc. the investors should approach Investors Service Centers of Principal Mutual Fund if units are held in physical mode and the respective Depository Participant if the units are held in dematerialized mode.
- 11. Investors will have to comply with KYC norms as prescribed by NSE/CDSL/NSDL and Principal Mutual Fund from time to time.
- 12. The applicability of NAV will be subject to guidelines issued by SEBI on uniform cut-off timings for applicability of NAV for Mutual Funds Scheme(s)/plan(s).
- 13. This facility shall be subject to the terms and conditions specified and guidelines issued by SEBI/AMFI/NSE from time to time.
- 14. AMC reserves the right to change / modify or discontinue this facility at anytime in future.

### Accounts Statements

Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto read with SEBI Circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, Investor whose transaction has been accepted by PMF, shall receive the following :-

- (i) On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted will be sent by

- way of an email and/or SMS within 5 Business Days from the date of receipt of transaction request to the Unit holders' registered e-mail address and/or mobile number.
- (ii) A ^Consolidated Account Statement (CAS) for each calendar month shall be sent to the Unit holder(s) in whose folio(s) \*\*transaction (s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month vide e-mail (where e-mail id has been provided)/physical copy (where e-mail id has not been provided).
  - (iii) For the purpose of sending CAS, common investors across Mutual Funds shall be identified by their Permanent Account Number(PAN).
  - (iv) In case of specific request received from the Unitholders, the AMC/PMF will provide the account statement for the Investors within 5 Business days from the receipt of such request.
  - (v) In case of Folio(s) having more than one registered Unitholder, the first named Unitholder shall receive the CAS/Account Statement.
  - (vi) The CAS shall not be sent to such Unit holders where the PAN details are not updated /provided in the folio(s).

#### **Half Yearly Account Statement:**

^CAS detailing holding across all schemes of all mutual funds at the end of every six months (i.e. September/ March), shall be sent by mail/e-mail on or before 10th day of succeeding month, to all such Unit holders in whose folios no transactions \*\* has taken place during that period.

The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

^ Consolidated Account Statement (CAS) shall contain details relating to all the transactions \*\* carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges paid to the distributor.

\*\* 'Transaction' shall include Purchase, Redemption, Switch, Dividend Payout, Dividend Reinvestment, Systematic Investment Plan, Systematic Withdrawal Plan, Systematic Transfer Plan and Bonus Transactions.

#### **Account Statement**

The Account Statement shall not be construed as a proof of title and is only a computer-printed statement indicating the details of transactions under the scheme and is a non-transferable document. The Account Statement shall normally be dispatched within three business days on an ongoing basis.

#### **Common Account Number:**

As a unit holder friendly measure, (unless otherwise requested by the unit holder), one Common Account Number will be assigned for one entity/investor investing in different schemes of the Fund. In such a case, one consolidated account statement will be provided. The AMC reserves the right to assign the existing Common Account Number against multiple applications and/or subsequent purchases under a new application form by an existing unit holder, with identical mode of holding and address

#### **Unit Certificates**

Normally no unit certificates will be issued under the Scheme. However, if the



	<p>unit holder so desires, the AMC shall issue a non-transferable unit certificate to the unit holder within 5 business days of the receipt of request for the certificate. The cost of stamp duty paid for issuing the unit certificate will form part of the annual on-going expenses and/or may be recovered from the unit holder.</p> <p><b>Account Number</b></p> <p>An Account or Transaction Statement reflecting the unit balance of the unitholder will be mailed to the unitholder(whose PAN details are not updated in the system of R&amp;T) by ordinary post, after every financial transaction is effected. The Account Statement shall not be construed as a proof of title and is only a computer-printed statement indicating the details of transactions under the scheme and is a nontransferable document. The Account Statement shall normally be dispatched within three business days on an ongoing basis.</p> <p><b>Units With Depository</b></p> <p>The units of the Scheme(s) are admitted for dematerialization with the Depositories, the unit holders will have the option to convert their existing units into dematerialized mode, accordingly existing unitholders having an account statement who may wish to seek dematerialization of their Units, would have to submit a request with their Depository Participant alongwith the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode. The expenses incurred by the AMC in dematting of the referred units may be recovered from unitholders or may be charged to the scheme(s) as per annual recurring expenses.</p> <p>Account statement for transactions of demat units of the scheme in the market may be obtained from the depository participants with whom the investor holds DP Account.</p> <p>The units of the Scheme(s) are admitted for dematerialization with the Depositories, the unit holders will have the option to convert their existing units into dematerialized mode, accordingly existing unitholders having an account statement who may wish to seek dematerialization of their Units, would have to submit a request with their Depository Participant alongwith the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode. The expenses incurred by the AMC in dematting of the referred units may be recovered from unitholders or may be charged to the scheme(s) as per annual recurring expenses.</p> <p><b>Rematerialisation of Demat Units</b></p> <p>The unitholders who converted their units in demat mode may also rematerialize their units. The request for rematerialising the demat Units may be given to the respective Depository Participant (DP) of the investor. On receiving the confirmation of Remat Units balance, account statement for the physical Units shall be issued. The same number of Units held in the demat mode shall be continued in the physical mode. Rematerialisation of demat Units shall be processed within thirty days or such other days as may be stipulated under SEBI Regulations from the date of receipt of such a request, provided it is complete and valid in all respects.</p>
<p><b>Dividend Policy</b></p>	<p>In the interest of the Scheme(s) and the unit holders, the AMC/Trustees may consider providing returns to the unit holders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme(s) after providing for all necessary recurring and other expenses. Distribution of dividend is subject to availability and adequacy of distributable surplus and approval of the Trustees. Quantum of dividend and the record date will be fixed</p>

	<p>by the Trustee and dividend so decided shall be paid, subject to availability of distributable surplus.</p> <p>Only those unit holders whose names appear in the register of unit holders as on the record date will be entitled for dividend and/or bonus units. This date will be fixed by the AMC/Trustees appropriately.</p> <p>The dividend warrants and/or fresh Account Statement with the bonus units shall be dispatched / credited to the unit holders within 30 days or such stipulated period of the declaration of dividend/bonus units. In the event of failure to dispatch dividend within the stipulated 30 day period, the AMC shall be liable to pay interest @15 per cent per annum to the unit holder(s).</p> <p>Dividends will be paid net of taxes as may be applicable and payments will be in favour of the Unit holder's registered name or, if there is more than one registered holder, of the first named registered holder on the original application form. The Trustees may not declare a dividend at all in the event of inadequacy of distributable income. There is no assurance or guarantee to unit holders as to the periodicity of dividend and rate of dividends distribution.</p> <p>All benefits accruing/earned/received under the Scheme(s) in respect of income (not included in NAV), capital reserves and surpluses, if any, at the time of its/their declaration or otherwise under the Scheme(s) shall be available only to the Unit holders who hold units at the time of its/their declaration.</p> <p>Since distribution of dividend and /or bonus units shall be paid from the distributable surplus, the NAV of the Scheme(s) shall be adjusted to the extent of dividend paid and/or bonus issued.</p> <p>AMC reserves the right to include/remove/modify the frequency for declaration of dividend as may be deemed appropriate, subject to relevant provisions of SEBI regulations.</p>
<p><b>Redemption</b></p>	<p><b>Repurchase/Redemption Procedure</b></p> <p>The units of the Scheme(s) can be repurchased (sold back to the Fund) on any business day. The repurchase request can be made on Application Form/Common Transaction Form or by using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement, which should be submitted at any of the Official Point of Acceptance. Where the date of redemption is a non - business day, the deemed date for such redemption will be the next business day.</p> <p>In case the units are standing in the names of more than one unitholder, where mode of holding is specified as "jointly", repurchase requests will have to be signed by all the joint holders. However, in cases of holding specified as 'either/anyone or survivor', any one of the joint holders (in case of either/anyone or survivor) will have the power to make repurchase request. However, in all cases, the repurchase proceeds will be paid to the sole/first named holder only.</p> <p>In case a unitholder has subscribed to units on more than one Business Day (either through continuation in case of existing unitholder, or through subsequent subscriptions), the units subscribed to prior in time (that is those units which have been held for the longest period of time), will be deemed to have been repurchased first, that is on a First -In -First-Out basis. However, a unitholder may request the Fund to repurchase units subscribed by him/her at different dates, by indicating the specific date of subscription of the units, which is offered for repurchase.</p> <p>The repurchase request can be made by specifying the Rupee amount or by</p>

specifying the number of units to be repurchased. If a repurchase request is for both a specified Rupee amount and a specified number of units, the specified rupee amount will be considered the definitive request. If only the repurchase amount is specified by the unit holder, the AMC will divide the repurchase amount so specified by the applicable NAV based price to arrive at the number of units. The request for repurchase of units could also be in fractions, up to three decimal places.

If the number of Units held by the Investor as per the records maintained by AMC and/or the Registrar is less than the number of Units requested to be redeemed then all the Units held by the Unit holder in such folio / Scheme / plan for which application for Redemption is made, shall be redeemed. Provided that, where redeem 'all' is specified in the request, all Unit holdings in that Scheme shall be redeemed.

The AMC reserves the right to change the minimum repurchase amount on a prospective basis subject to SEBI Regulations. Unit holders may also request for repurchase of their entire holding and close the account by indicating the same at the appropriate place in the Transaction Slip/Repurchase form.

#### **Repurchase Price**

The repurchase price will be calculated using the following formula:

Repurchase Price = Applicable NAV\*(1 – Exit Load, if any).

Example for calculation of Repurchase Price

If the Applicable NAV is ₹11.25 and a 1.00% exit load is charged the repurchase price will be calculated as follows:

Repurchase Price = ₹ 11.25 x (1-1.00% of ₹ 11.25)

= ₹ 11.25 - ₹ 0.1125

= ₹ 11.1375 per unit

The repurchase price shall not be lower than 93% of the NAV.

The AMC reserves the right to modify the exit load. However, any such modification in the exit load structure shall be only on a prospective basis. The unit holder is requested to confirm the applicable exit load at the time of investment from the AMC/OPT.

#### **Repurchase by NRI's/FIIs**

Credit balances in the account of an NRI/FII will be subject to any procedures laid down by the RBI. Such repurchase proceeds will be paid by means of a rupee cheque payable to the designated NRE/ NRO account of the unit holder or by a US dollar (or any other currency) draft drawn at the exchange rates prevailing at that time and subject to RBI procedures and approvals and subject to deduction of tax at source, as applicable. All bank charges in connection with such payment will have to be borne by the unit holder and/or the Scheme by way of ongoing expenses. The Fund will not be liable for any delays or for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.

#### **Payment of Repurchase Proceeds**

The time limit set for dispatch of repurchase proceeds will be from the Business Day when the request is accepted at the Official Point of Acceptance. As per the SEBI Regulations, the Fund shall mail the repurchase proceeds within ten Business Days from the date of acceptance of valid request at any of the Official Point of Acceptance, in case of a repurchase request being sent by post.

In the event of failure to dispatch the repurchase or repurchase proceeds within

the statutory period specified above as per the SEBI Regulations, the AMC shall be liable to pay interest to the unit holders at such rate (currently 15% per annum) as may be specified by SEBI for the period of such delay.

### **Electronic Credit Clearing Services (ECS) Identified Banks**

ECS is a facility offered by RBI for facilitating better customer service by direct credit of dividend or repurchase amount to a unit holder's bank account through electronic credit. This helps in avoiding loss of dividend or repurchases warrant in transit or fraudulent encashment. The Fund will endeavour to arrange such facility for payment of dividend/repurchase proceeds to the unit holders. However, this facility is optional for the unit holders. Repurchase proceeds may be released through the ECS facility to unit holders residing in any of the cities where such a facility is available. In order to avail the above facility, the unit holder will have to give a written request to the Registrar. If the unit holder has opted for the ECS facility, his/her bank branch will directly credit the amount due to them in their account whenever the payment is through ECS. The Registrar will send a separate advice to the unit holder informing them of the direct credit. It may be noted that there is no commitment from the Fund that this facility will be made available to the unit holders for payment of dividend/repurchase proceeds. While the Fund will endeavour in arranging the facility, it will be dependent on various factors including sufficient demand for the facility from unit holders at any centre, as required by the authorities. In places where such a facility is not available or if the facility is discontinued by the Fund for any reason the repurchase warrants will be mailed to the unit holder.

### **Unitholder's Bank Account Details**

Unitholders on a mandatory basis required to mention their bank account details in their applications/ requests for redemption. Redemption Cheques and/or any other instruments will then be made out in favour of the Bank for crediting the respective unit holder's account so specified.

The normal processing time may not be applicable in situations where such details are not provided by unitholders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

Further, in accordance with AMFI communication no. 135/BP/26/11-12 dated March 21, 2012, following process vis-à-vis change in bank mandate is being followed effective May 1, 2012 (effective date) -

### **I. Change in Bank Mandate**

1. Updation of Bank Account in Customer's Folio shall be either through "Multiple Bank Account Registration Form" or a standalone separate "Change of Bank Mandate Form";
2. In case of standalone change of bank details, documents as entailed below should be submitted as a proof of new bank account details. Based on PAMC's internal risk assessment, PAMC may also consider collecting proof of old bank account and proof of identity of the clients, while effecting the change of bank account;
3. Customers are advised to register multiple bank accounts and choose any of such registered bank accounts for receipt of redemption proceeds;
4. Any unregistered bank account or new bank account forming part of redemption request shall not be entertained or processed;
5. Such Investors, who have not already provided bank mandate at the time of making investment, are required to submit proof of new bank account details as entailed here below. Such Investors are also required to submit

	<p>valid Proof of Identity as prescribed under KYC guidelines along with Proof of Investment; and</p> <p>6. Any change of Bank Mandate request received/processed few days prior to submission of a redemption request or on the same day as a standalone change request, PAMC will continue to follow cooling period of 10 calendar days for validation of the same.</p> <p><u>Investors are required to submit any one of the following documents in Original or produce originals for verification or copy attested by the Bank –</u></p> <p><b>New Bank Account Registration</b></p> <ul style="list-style-type: none"> <li>- Cancelled original cheque of new bank mandate with first unitholder name and bank account number printed on the face of the cheque; OR</li> <li>- Self - attested copy of bank statement; OR</li> <li>- Bank Passbook with current entries not older than 3 months; OR</li> <li>- Letter from the bank on its letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager/authorised personnel.</li> </ul> <p>AND Proof of Identity as prescribed under KYC guidelines along with Proof of Investment - only for such investors who have not registered their bank mandate at the time of making investment.</p> <p><b>Change in Existing Bank Mandate</b></p> <ul style="list-style-type: none"> <li>- Cancelled original cheque with first unitholder name and bank account number printed on the face of the cheque; OR</li> <li>- Original bank account statement or pass book; OR</li> <li>- Original letter issued by the Bank on the letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager; OR</li> <li>- In case such Bank account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account.</li> </ul> <p><b>Closure of Unitholder's Account</b></p> <p>Unitholders may note that the AMC at its sole discretion may close a unitholder's account after giving notice of 45 days, if at the time of any part repurchase, the value of units (represented by the units in the unitholder's account if such repurchase were to take place, valued at the applicable NAV related price), falls below the minimum investment/balance required for each scheme (or such other amount as the AMC may decide from time to time) or where the units are held by a unitholder in breach of any Regulation.</p>
<p><b>Restriction on Third Party Payments for subscription of Mutual Fund Units and Registration of Multiple Bank Accounts</b></p>	<p><b>Third Party Payments for subscription of Units</b></p> <p>Applications for subscription in Schemes of Principal Mutual Fund shall not be accepted when accompanied with *Third Party payments, except in the following situations:</p> <ul style="list-style-type: none"> <li>• Payment by Parents / Grand-Parents / related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding ₹50,000/- (each regular purchase or per SIP installment). However, this limit of ₹50,000/- will not be applicable for payments made by a Guardian whose name is registered in the records of Principal Mutual Fund for the concerning Folio;</li> <li>• Payment by Employer on behalf of employee under Systematic Investment Plan(s) OR lump sum / one time subscription, through Payroll deductions;</li> </ul>

- Custodian on behalf of FII or a client; and
- Payment by AMC to a Distributor empanelled with it on account of commission/incentive etc. in the form of Mutual Fund Units of the Funds managed by the AMC through SIP or lump sum/one time subscription.

\*Third Party Payment shall mean those payment made through instruments issued from an account other than that of the beneficiary investor. However, in case of payments from a joint bank account the first holder of the mutual fund folio should be one of the joint holders of the bank account from which payment is made.

In case of exceptional situations stated above, following additional documents shall be mandatorily enclosed along with the Subscription application:

a) KYC Acknowledgement Letter for Investor (Guardian in case of Minor) and the Person making the payment.

b) “Third Party Declaration Form” from the Investor (Guardian in case of Minor) and the person making the payment, giving details of the bank account from which the payment is made and the relationship with the Beneficiary Investor(s). (Declaration Format shall be available at any of our Investor Service Centre or on [www.principalindia.com](http://www.principalindia.com))

Investor along with the subscription application must provide the details of his pay-in bank account (i.e. account from which a subscription payment is made) and his pay-out bank account (i.e. account into which redemption / dividend proceeds are to be paid). Investor shall also have the facility to register multiple bank accounts as detailed in the section below on “Multiple Bank Accounts”. Only Pay-in from such registered bank accounts shall be treated as First party payments.

Additionally, in case of following mode of payments below stated documents should be enclosed with the subscription application:

a) **Pay Order, Demand Draft, Banker’s Cheque and the like:** Certificate from the Issuing Banker, stating the Account holder’s name and the Account number which has been debited for issue of such instrument.

As directed by AMFI, a copy of acknowledgement from the Bank wherein the instructions to debit the Investor’s bank account and name of the Investor as on account holder are available OR copy of pass book/bank statement evidencing the debit for issuance of a DD, shall also be accepted by the Mutual Fund.

b) **Pay Order, Demand Draft, Banker’s Cheque and the like issued against cash by the Bank [for an investment amount less than ₹50,000/- only]:** Certificate from the Banker giving name, address, Bank account number and PAN (if available) of the person who has requested for the demand draft.

c) **Payment vide RTGS, NEFT, ECS, Bank Transfer etc:** copy of the instruction to the bank stating the account number debited must accompany the purchase application.

In such instance, where, post verification it is found that the payment, in any mode, is not made from a registered bank account or is made from an account where the first named unit holder is not an Account holder / one of the account holder in case of Joint Bank Account, the AMC/R&T, reserves the right to reject the transaction / subscription application, without any liability.

Additionally, in order to prevent fraudulent practices, Investors are urged to make the payment instruments (cheque / Demand draft / Pay Order etc.)



	<p>favouring “XYZ Scheme A/c. First Investor Name” OR “XYZ Scheme A/c. Permanent Account Number” OR “XYZ Scheme A/c. Folio Number”.</p> <p><b>Multiple Bank Accounts:</b></p> <p>Unitholders shall have the facility to register multiple bank accounts at folio level - upto a maximum of 5 Bank Accounts in case of Individual and HUF Investor and 10 Bank Accounts in case of Non Individual Investor. Such facility can be availed by submitting duly filled in “Multiple Bank Account Registration form” at the Investor Service Centre closest to you, along with copy of any one of the following documents:</p> <p>a) cancelled cheque leaf of the bank account which has to be registered [the account number and name of the first unitholder should be printed on the cheque leaf];</p> <p>b) Bank Statement / Pass Book with the account number, name of the Unitholder and Address;</p> <p>c) Bank letter / certificate on its letter head certifying the account holder’s name, account number and branch address [Such letter / certification should be certified by the Bank Manager with his / her full name, signature, employee code.]</p> <p><b>Investors should also present the Original of the above Document submitted along with the subscription application, and such original document shall be returned across the Counter post due verification</b></p> <p>Subsequent, to successful registration of multiple bank accounts, Investors can select any of the registered bank accounts in the application form for the purpose of subscriptions, redemption and dividend proceeds. Investor shall also have the option to register any one of their account as a default bank account for credit of redemption /dividend proceeds.</p> <p>Further an Investor may also opt to delete a registered default bank account; however, such deletion of a default bank account shall be permitted only if the Investor registers another registered account as a default account. In the event of rejection of such registration application for any reason, the redemption / dividend proceeds shall be processed as per specified service standards and the last registered bank account information in the records of Registrar &amp; Transfer Agent - Karvy Computershare Private Limited, will be relied upon and used for such payments.</p> <p>It is clarified that in case of Change of Bank Account along with Redemption application submitted by the Investor, the redemption proceeds shall be credited to the said bank account only if it is a registered bank account in the records of R&amp;T.</p> <p>However, if the new bank account is not one of the registered bank accounts, the redemption proceeds shall be credited to such new bank account post completion of the cooling off period as prescribed by AMFI and within regulatory prescribed timelines.</p>
<p><b>Delay in payment of redemption / repurchase proceeds</b></p>	<p>The Asset Management Company shall be liable to pay interest to the unitholders at such rate as repurchase proceeds may be specified by SEBI for the period of such delay (presently @ 15% per annum).</p>

<p>The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same.</p>	<p>Presently the AMC does not intend to reissue the repurchased units. The trustee reserves the right to reissue the repurchased units at a later date after issuing adequate public notices and taking approvals, if any, from SEBI.</p>
<p>Restrictions, if any, on the right to freely retain or dispose of units being offered.</p>	<p><b>RIGHT TO LIMIT REPURCHASES</b></p> <p>The AMC may, in the general interest of the unitholders of the Scheme, keeping in view the unforeseen circumstances/unsure conditions, limit the total number of units which may be repurchased on any Business Day to 15% of the total number of units of the Scheme (or such higher percentage as the AMC may decide in any particular case). Any units which by virtue of these limitations are not repurchased on a particular Business Day will be carried forward for repurchase to the next Business Day, in order of receipt. Repurchases so carried forward will be priced on the basis of the Repurchase Price of the Business Day on which repurchase is made. Under such circumstances, to the extent multiple repurchase requests are received at the same time on a single Business Day, repurchase will be made on pro-rata basis, based on the size of each repurchase request, the balance amount being carried forward for repurchase to the next Business Day(s).</p> <p><b>POSSIBLE DEFERRAL OF REDEMPTION/ REPURCHASE REQUESTS</b></p> <p>Whilst every effort will be made to ensure that the Scheme will have sufficient liquidity to enable the repurchase cheques to be collected/dispatched within the deadline stated in the foregoing clause, unitholders should note that where the Scheme is obliged to arrange for the disposal of the underlying securities/borrow, in order to satisfy redemption/repurchase requests, unitholders may experience some delays in receiving repurchase cheques, reflecting the time involved in settling the underlying sales of securities/borrowing. However in any case, the Fund will ensure that the collection/dispatch of repurchase cheques is not delayed beyond ten working days (when Principal Mutual Fund is open for business) from the date of receipt of the repurchase request in accordance with Regulation 53(b) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.</p> <p><b>SUSPENSION OF SALE /REPURCHASE/SWITCH OPTIONS OF THE UNITS</b></p> <p>The Fund at its sole discretion reserves the right to withdraw sale, repurchase and/or switch of the units under the scheme(s), temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable. However, the suspension of sale/repurchase/switch either temporarily or indefinitely will be made applicable only after the approval of the Board of Directors of the AMC and Trustee. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.</p> <p>The sale, repurchase and switch of the units may be temporarily suspended under any or all of the following conditions :</p> <ul style="list-style-type: none"> <li>- If the stock/money markets stop functioning or trading is restricted;</li> <li>- Under uncertain conditions when the market (capital/stock/money etc. become extremely volatile and the AMC so decides in the best interest of the unit holders);</li> <li>- Declaration of war or occurrence of insurrection, civil commotion or any</li> </ul>



	<p>other serious or sustained financial, political or industrial emergency or disturbance or any natural calamity;</p> <ul style="list-style-type: none"> <li>- In extreme cases of complete breakdown or dislocation of business in the financial markets;</li> <li>- Breakdown in the means of communication used for the valuation of investments in the Scheme(s) without which the value of the securities held in the Scheme(s) cannot be accurately calculated;</li> <li>- In the event of any force majeure or disaster that affects the normal functioning of the AMC or the ISC;</li> <li>- SEBI by order so permits;</li> <li>- During the period of Book Closure/Record Date;</li> <li>- On a requisition made by three-fourths of the unit holders;</li> <li>- If AMC views that enhancement in the size of the corpus further may prove detrimental to the existing unit holders of the Scheme(s).</li> </ul>
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### C. PERIODIC DISCLOSURES

<p><b>Net Asset Value</b></p> <p>This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>	<p>The Mutual Fund shall declare the Net asset value of the scheme on every business day (calendar day for PMMF and PCMF) on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9.00 p.m. (<i>time limit for uploading NAV as per applicable guidelines</i>) and also on their website and endeavor to release the same to two newspapers.</p> <p>In case of delay, the reasons for such delay would be explained to AMFI in writing. NAVs would however be endeavoured to be made available before commencement of business hours of the following business day, failing which a press release explaining the material reasons for non-availability would be released. In the event NAV cannot be calculated and/or published because of suspension of trading on the BSE/NSE/RBI, during the existence of a state of emergency and/or a breakdown in communications, the AMC may suspend calculation and/or publication of NAV etc. of the units.</p>
<p><b>Half yearly Disclosures: Portfolio / Financial Results</b></p> <p>This is a list of securities where the corpus the scheme is currently invested. The market value of these investments is also stated in the language of the region where the head office of the mutual fund is located.</p> <p>Portfolio disclosures.</p>	<p>The Mutual fund shall publish a complete statement of the Scheme Portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement, at least in one National English daily and one regional newspaper in the language of the region where the head office of the Mutual Fund is located.</p> <p>The mutual fund may opt to send the portfolio statement to all unit holders in lieu of the advertisement (if applicable).</p>
<p><b>Half Yearly Results</b></p>	<p>The Fund and AMC shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the Mutual Fund is situated. These shall also be displayed on the website of the Mutual Fund and that of AMFI.</p>
<p><b>Annual Report</b></p>	<p>A link to Annual Report or Abridged Summary of the Annual Report will be available on AMC's website <a href="http://www.principalindia.com">www.principalindia.com</a> and a link in this regard shall also be available on the website of AMFI i.e. <a href="http://www.amfiindia.com">www.amfiindia.com</a>. Annual Report / Abridged Annual Report shall be sent by way of an e-mail link to the Investor's registered e-mail address or physical copies (if investor's e-mail address is not registered), not later than four months after the close of each</p>

	<p>financial year.</p> <p>Such Unitholders who have mentioned their e-mail address will receive the Annual Report/Abridged Summary of Annual Report only by e-mail and not in physical copy. However, Investors who have mentioned their e-mail address but still wish to receive physical copy of the Annual Report, may do so by submitting written request at any of our OPT.</p> <p>Physical Copy(ies) of Annual Report will be available for inspection at the Registered Offices of the AMC at all times.</p>	
<b>Associate Transactions</b>	Please refer to Statement of Additional Information (SAI).	
<p><b>Taxation – updated with the amendments of Finance Bill’ 2012</b></p> <p>The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.</p>	<p><i>For Principal Bank CD Fund, Principal Debt Opportunities Fund – Conservative Plan &amp; Corporate Bond Plan, Principal Government Securities Fund, Principal Income Fund – Long Term Plan &amp; Short Term Plan, Principal Debt Savings Fund - MIP&amp; Retail Plan</i></p>	
	<b>Particulars</b>	<b>Resident Investors</b>
	Tax on Dividend	Nil
		<p><b>Mutual Funds</b></p> <p><b>Dividend Distribution Tax (‘DDT’)</b></p> <p>Individual &amp; HUF - 13.5188% (12.50% plus 5% surcharge plus 3% education cess)</p> <p>Other than Individual &amp; HUF - 32.445% (30% plus 5% surcharge plus 3% education cess)</p>
	<b>Capital Gain<sup>1</sup>&amp;<sup>**</sup>:</b>	
	Long Term	<p>10%* (without indexation) 20%* (with indexation)</p> <p>Nil</p>
	Short Term	<p>Individual/HUF/AOP/BOI – Taxable as per the applicable slab rates*</p> <p>Companies/Firms – 30%*</p> <p>Nil</p>
<p><i>For Principal Cash Management Fund and Principal Retail Money Manager Fund</i></p>		
	<b>Particulars</b>	<b>Resident Investors</b>
	Tax on Dividend	Nil
		<p><b>Mutual Funds</b></p> <p><b>Dividend Distribution Tax (‘DDT’)</b></p> <p><b>Individual &amp; HUF</b> 27.0375% (25% plus 5% surcharge plus 3% education cess)</p> <p><b>Other than Individual &amp; HUF</b> 32.445% (30% plus 5% surcharge plus 3%</p>

		education cess)
	<b>Capital Gain<sup>1</sup>&amp;<sup>**</sup>:</b>	
	Long Term	10%* (without indexation) 20%* (with indexation)
	Short Term	Individual/HUF/AOP/BOI – Taxable as per the applicable slab rates*
		Companies/Firms – 30%*
<p><sup>1</sup>Investors may be subject to Minimum Alternate Tax / Alternate Minimum Tax under section 115JB of the Act / Section 115JC (proposed by the Finance Bill, 2012) respectively.</p> <p>* Plus surcharge at the rate of 5% for a domestic company, if applicable and Education cess at the rate of 2% on income-tax and surcharge and Secondary and Higher Education cess at the rate of 1% on income-tax and surcharge.</p> <p>** This chart is prepared on assumption that the investment in units of Mutual Fund would be characterized as capital assets in the hands of the unit holder.</p> <p>Where the Fund receives any income from investments made in overseas jurisdiction, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received. As the income of the fund is exempt from tax in India, credit / refund in respect of such foreign taxes may not be available in India.</p> <p>For further details on taxation please refer to the clause on Taxation in the SAI.</p>		
<b>Investor services</b>	<p>For any enquiries and/or queries or complaints in respect of any terms and conditions of/investments in this Scheme, the investors are advised to address a suitable communication to AMC and marked to the attention of Head Customer Services - Mr. Hariharan Iyer at <a href="mailto:customer@principalindia.com">customer@principalindia.com</a>. Written communications may also be forwarded to Principal Mutual Fund at Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra(East), Mumbai – 400 051, India and/or alternatively faxed at +91 22 67720512.</p> <p>Investors can also call us at our Toll Free No – 1800 425 5600.</p>	

#### D. COMPUTATION OF NAV

The NAV of the Scheme for each option at any time shall be determined by dividing the net assets of the Scheme by the number of outstanding units on the valuation date:

<p><b>NAV per unit =</b>      <b>(Market / Fair Value of Securities + Accrued Income + Receivables + other assets - Accrued Expenses – payables-other liabilities)</b></p> <hr/> <p><b>No. of units outstanding of the scheme / option</b></p>
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The NAV will be calculated up to four decimals. The Fund shall endeavor to disclose the NAVs on every Business Day /Calendar Days(for liquid schemes) by 9.00 p.m. on the AMFI website i.e. [www.amfiindia.com](http://www.amfiindia.com) and release the same to two newspapers.

The computation of Net Asset Value, valuation of assets, computation of applicable Net Asset Value (related price) for repurchase, switch and their frequency of disclosure shall be based upon a formula in accordance with the Regulations and as amended from time to time including by way of Circulars, Press Releases, or Notifications issued by SEBI or the Government of India to regulate the activities and growth of Mutual Funds.

The dividend paid on units under the Dividend Option of the Fund shall be deducted in computing the NAV of the units under the Dividend Option, each time a dividend is declared and till it is distributed. Consequently, once the dividend is distributed, the NAV of the units will always remain lower than the NAV of the units under the Growth Option. The income earned and profits realized attributable to the units under the Growth Option shall remain invested and shall be deemed to have remained invested in the Growth Option (exclusive of the units under the Dividend Option) and would be reflected in the NAV of the units under the Growth Option.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

## **SECTION- V FEES AND EXPENSES**

This section outlines the expenses that will be charged to the Schemes

### **A. ANNUAL SCHEME RECURRING EXPENSES**

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated the below mentioned expenses expressed as a percentage to the daily average net assets of the scheme which will be charged to the scheme as expenses. For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

The estimated expenses under the Scheme / Plan are as per the table below:

<b>Nature of Expenses</b>	<b>% of average daily net assets</b>
Investment Management and Advisory Fees	1.25
Trustee Fees	0.01
Custodian Fees/Depository Charges	0.10
Registrar and Transfer Agent Fees	0.11
Costs related to investor communications, costs of Fund transfer from one location to another, cost of providing account statements and dividend repurchase cheques and warrants, costs of statutory advertisements.	0.18
Marketing and Selling Expenses	0.50
Audit Fees	0.10
<b>Total Annual Recurring Expenses</b>	<b>2.25</b>

The Annual Recurring Expenses for the Plans under the Scheme shall be within the overall limit of 2.25% of the daily average net assets.

These estimates have been made in good faith by the AMC as per the information available to AMC – the investment manager, based on the past experience and are subject to change inter-se. The expenses may be more than as specified in the table above, but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI Regulations. Expenses over and above the permissible limits will be borne by the AMC and/or the Trust and/ or the sponsor. The purpose of the above table is to assist the unitholder in understanding the various costs and expenses that a unitholder in the Scheme will bear directly or indirectly. Expenses over and above the limits prescribed under the SEBI Regulations shall be borne by the AMC.

As per the SEBI Regulations, the maximum recurring expenses including the investment management and advisory fee that can be charged to the Scheme shall be subject to a percentage limit of Average Daily or Weekly net assets as given in the table below:

First ₹100 Crs.	Next ₹ 300 Crs.	Next ₹ 300 Crs.	Balance Assets
2.25	2.00	1.75	1.50

As per the SEBI Regulations, the AMC is entitled to an Investment Management and Advisory fee at the rate of 1.25% per annum of the Daily or Weekly average net assets outstanding in each accounting year for the Scheme(s), as long as the net assets do not exceed ₹ 100 crore and 1.00% of the excess amount over ₹ 100 crore, where net assets so calculated exceed ₹ 100 crore.

The Fund shall strive to reduce the level of these expenses so as to keep them well within the maximum limits currently allowed by SEBI and any revision in the said expenses limits by SEBI would be applicable.

## **B. LOAD STRUCTURE & TRANSACTION CHARGES**

### **Principal Debt Opportunities Fund - Conservative Plan, Principal Retail Money Manager Fund and Principal Cash Management Fund**

**Entry Load:** Not applicable

**Exit Load:** Nil

### **Principal Bank CD Fund**

**Entry Load:** Not applicable

**Exit Load:** If redeemed on or before 6 months from the date of allotment – 0.25%

### **Principal Income Fund – Short Term Plan**

**Entry Load:** Not applicable

**Exit Load:** If redeemed on or before 6 months from the date of allotment – 0.50%

### **Principal Debt Savings Fund - MIP, Principal Debt Savings Fund – Retail Plan and Principal Income Fund – Long Term Plan**

**Entry Load:** Not applicable

**Exit Load:** If redeemed on or before 1 year from the date of allotment – 1%

### **Principal Government Securities Fund**

**Entry Load:** Not applicable

**Exit Load:** 1% if redeemed on or before 365 days from the date of allotment

### **Principal Debt Opportunities Fund – Corporate Bond Plan**

**Entry Load:** Not applicable

**Exit Load:** From the date of allotment if redeemed any time –

• Upto 12 months - 2% • From 12 months and upto 24 months - 1% • After 24 months - Nil

In case the date of redemption is a non-business day, the deemed redemption date will be the next business day.

Load on switch out will be same as exit load applicable for the respective Scheme/Plan/Option.

Bonus Units and units issued on reinvestment of dividends shall not be subject to exit load.

In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 no entry load will be charged by the Fund with effect from August 01, 2009.

The Upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN holder.

Further, with effect from August 01, 2009, exit load/ CDSC (if any) up to 1% of the redemption value charged to the unit holder by the Fund on redemption of units shall be retained by each of these scheme(s) in a separate account and will be utilized for payment of commissions to the ARN Holder and to meet other marketing and selling expenses. Any amount in excess of 1% of the redemption value charged to the unit holder as exit load/ CDSC shall be credited to the respective scheme immediately.

The AMC reserves the right to change/modify exit / switchover load / CDSC, depending upon the circumstances prevailing at any given time on the prospective investments as permissible under the SEBI Regulations.

The repurchase price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV. However, the difference between the repurchase price and sale price shall not exceed 7% on the sale price. However, any change at a later stage shall not affect the existing unit holders adversely.

A load structure when introduced by the AMC may comprise of an exit load and/or switchover load as may be permissible under the SEBI Regulations. The AMC may charge an exit load for switch of units between Dividend Option and Growth Option of the Scheme and/or switch over load depending upon the circumstances prevailing at any given time. The load may also be changed from time to time and in the case of an exit load this may be linked to the period of holding. The switchover load may be different for different plans/options and the switchover load may be different from the exit load charged for repurchase of units. The load charged could also be different as regards the tenure of investment. However, any imposition/enhancement or change in load structure shall be applicable on prospective investment only. The addendum shall be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Documents and abridged Scheme Information Documents already in stock. The addendum will be circulated to unitholders along with/included in the newsletter sent to unitholders. Further arrangement will be made to make available the changes in the load structure in the form of a notice/any other manner in/at all the investor service centers/distributors/brokers office. Applicable load will be disclosed in the account statement/transaction confirmation statement. The introduction of the exit load/ CDSC along with the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC.

The Load, if levied, will be retained in the Scheme in a separate account and used by the Fund/AMC to cover the cost of raising/redeeming units on a continuous basis by way of providing redemption/distribution related services to the Fund relating to the Sale, promotion, advertising and marketing of the units of the Scheme and costs associated with liquidating the Fund's investment Securities, including payments for postage and also payments to brokers for their services in connection with the redemption/distribution of the units. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC.

No load shall be chargeable on any transaction/s made by any "Fund of Funds Scheme/s" managed by Principal Pnb Asset Management Company Pvt. Ltd. or managed by any other Asset Management Company, in any of the existing schemes (or any scheme(s) launched from time to time unless specified otherwise) of Principal Mutual Fund.

The investor is requested to check the prevailing load structure of the scheme(s) before investing. The same is also hosted/updated on the Principal website - [www.principalindia.com](http://www.principalindia.com) or an investor may call at (1800 425 5600) or his/her distributor.

For any change in load structure AMC will issue an addendum detailing the changes and will display it on the website. A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated. Further, such change shall be for prospective investors and additional investments post the issue of such notice advertisement with respect to the change in the load structure.

The AMC may also:

- (i) Attach the Addendum to Scheme Information Documents and key information memorandum or circulate the same to distributors/brokers so that the same can be attached to all Scheme Information Documents and Key Information Memoranda already in stock.

- (ii) Arrange to display the addendum in the Scheme Information Document in the form of a notice in all the Investor Service Centres and distributors/brokers office.
- (iii) Stamp Introduction of exit load/ CDSC along with the details in the acknowledgement slip issued to the investors on submission of the application form and may disclose it in the statement of accounts issued after the introduction of such load/CDSC.
- (iv) take other measures which it may feel necessary.

#### **Transaction Charges –**

In accordance with SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, Principal Pnb Asset Management Company Private Limited (AMC) /Principal Mutual Fund(PMF) shall deduct Transaction Charges on purchase / subscription received from the Investors through Distributors/Agents (who have opted to receive the transaction charges) as under:

(i) **First Time Mutual Fund Investor (across Mutual Funds):** Transaction charge of ₹150/- for subscription of ₹10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the first time investor and the balance shall be invested.

First time investor in this regard shall mean an Investor who invests for the first time ever in any Mutual Fund either by way of Subscription or Systematic Investment Plan.

(ii) **Investor other than First Time Mutual Fund Investor:** Transaction charge of ₹100/- per subscription of ₹ 10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the investor and the balance shall be invested.

However, Transaction Charges in case of investments through Systematic Investment Plan (SIP) shall be deducted only if the total commitment (i.e. amount per SIP installment x No. of installments) amounts to ₹10,000/- or more. The Transaction Charges shall be deducted in 3-4 installments.

(iii) **Transaction charges shall not be deducted for:**

- purchases /subscriptions for an amount less than ₹10,000/-;
- transaction other than purchases/ subscriptions relating to new inflows such as Switch/ Systematic Transfer Plan/Sweep facility under the Dividend Option of the Scheme(s) etc.;
- purchases/subscriptions made directly with the Fund (i.e. not through any Distributor/Agent);
- transactions routed through Stock Exchange route.

Statement of Account issued to such Investors shall state the net investment as gross subscription less transaction charge and mention the number of units allotted against the net investment.

Further, in accordance with SEBI Circular No. SEBI/IMD/CIR/No.4/168230/09 dated June 30, 2009, upfront commission to Distributors/Agents shall continue to be paid by the Investor directly to the Distributor/Agent by a separate cheque based on his assessment of various factors including the service rendered by the Distributor/Agent.

#### **C. WAIVER OF LOAD FOR DIRECT APPLICATION**

Not applicable

#### **SECTION VI-RIGHTS OF UNITHOLDERS**

Please refer to Statement of Additional Information for details.

**SECTION VII. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY.**

*This section shall contain the details of penalties, pending litigation, and action taken by SEBI and other regulatory and Govt. Agencies.*

<b>1.</b>	Penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.	Nil
<b>2.</b>	In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholder's or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall be also disclosed.	Nil
<b>3.</b>	Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.	Nil
<b>4.</b>	Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.	*As mentioned below
<b>5.</b>	Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.	Nil

\* There is a legal case filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to the purchase of certain shares at SBI Mutual Fund. These proceedings have been filed against several persons then engaged with SBI Mutual Fund, including Mr. Rajat Jain – Chief Investments Officer of the Applicant who was at that time engaged with SBI Mutual Fund. These proceedings are pending as on date and no orders so far have been passed.

**Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**



## Offices of Principal Pnb Asset Management Company Private Limited Identified as Official Point of Acceptance / Investor Service Centres

• **Mumbai:** Exchange Plaza, 'B' wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 • **Ahmedabad:** 401, Broadway Business Centre, Opp. Samartheshwar Mahadev Temple, Law Garden Cross Road, Ellisbridge, Ahmedabad-380 006 • **Asansol:** Safe Savings, Street No.1, House No.2, Hindustan Park, Asansol - 713 304 • **Bangalore:** Sigma Trident, 11/2, 1st Floor, Hayes Road, Off. Richmond Road, Bangalore-560 025 • **Bhubaneswar:** Plot No: B-15, Arihant Plaza, 2nd Floor, Sahid Nagar, Bhubaneswar-751 007 • **Chandigarh:** SCO 455-56, 2nd Floor, Sector-35 C, Chandigarh-160 022 • **Chennai:** 305, Challamal Complex, 3rd Floor, 11 Thiagaraya Road, Chennai-600 017 • **Cochin:** 2nd Flr., Mayur Business Center, Pullepady Junction, Chittor Road, Cochin-682 035 • **Goa\*:** C/o Advani Business Center, Neelkamal Arcade, CL -13, Atmaram Borkar Road, Panjim, Goa- 403 001 • **Hyderabad:** White House, 503, 5th Floor, Block No. 1, Begumpet, Hyderabad-500 016 • **Indore:** 222, 2nd Floor, City Center, 570, M.G. Road, Indore-452 001 • **Jaipur:** 305-B, 3rd Floor, Shyam Anukampa Complex, Ashok Marg, C-Scheme, Jaipur-302 001 • **Kanpur:** 118-119, Kan Chambers, Near Stock Exchange Building, 14/113 Civil Lines, Kanpur-208 001 • **Kolkata:** Block No. 503, SHUBHAM, 5th Floor, 1, Sarojini Naidu Sarani, Kolkata-700 017 • **Lucknow:** Sky Hi Chambers, S-205, 2nd Floor, 11/5, Park Road, Lucknow-226 001 • **New Delhi:** Alps Building, 1st Floor, 56 Janpath, New Delhi-110 001 • **Pune:** Unit No: 103 & 104, 1st Floor, Rainbow Plaza, Opp. Modern Highschool, Jangali Maharaj Road, Shivaji Nagar, Pune - 411 005 • **Surat:** 206 Jolly Plaza, Athwagate, Surat-395 001 • **Vadodara:** 103, Paradise Complex, Sayajigunj, Vadodara-390 005

\*Note: These locations are not Official Point of Acceptance.

## Centres of Karvy Computershare Private Limited (R&T to Principal Mutual Fund) which have been identified as Official Point of Acceptance:

• **Agra:** Deepak Wasan Plaza, Behind Holiday Inn, Opp. Megdoot Furnitures, Sanjay Place, Agra-282 002 • **Ahmedabad:** 201-202, Shail Buildings, Opp. Madhusudhan House, Off. C. G. Road, Nr. Navrangpura, Telephone Exchange, Ahmedabad-380 006 • **Ajmer:** 1, 2nd Floor, Ajmer Tower, Kutchary Road, Ajmer-305 001 • **Aligarh:** 1st Floor, Kumar Plaza, Aligarh-202 001 • **Allahabad:** RSA Towers, 2nd Floor, Above Sony TV Showroom, 57, S.P. Marg, Civil Lines, Allahabad-211 001 • **Amritsar:** 72-A, Taylor's Road, Aga Heritage Gandhi Ground, Amritsar-143 001 • **Anand:** F-6, Chitrangana Complex, Opp. Motikaka Chawl, V.V. Nagar, Anand-388 001 • **Aurangabad:** Shop No. 214/215, Tapadiya City Centre, Nirala Bazar, Aurangabad-431 001 • **Bangalore:** No. 51/25, 1st Floor, Surya Building, Ratna Avenue, Richmond Road, Bangalore-560 025 • **Bankura:** Ambika Market, Natunganj, Bankura-722 101 • **Bareilly:** 1st Floor, 165, Civil Lines, Opp. Hotel Bareilly Palace, Near Rly. Station Road, Bareilly-243 001 • **Belgaum:** Fk-1, Ambedkar Road, Opp. Civil Hospital, Belgaum-590 001 • **Bharuch:** Gr. Floor, Office No-6, Aditya Complex, Opp. Kasak Temple, Bharuch-392 001 • **Bhatinda:** 2048, 1st Floor, Opp. Canara Bank, The Mall Road, Bhatinda-151 001 • **Bhavnagar:** Surabhi Mall, 301, 3rd Floor, Waghawadi Road, Bhavnagar-364 001 • **Bhilai:** No.138, New Civic Centre, Bhilai-490 006 • **Bhopal:** Kay Kay Business Centre, 133, Zone 1, M.P. Nagar, Bhopal-462 011 • **Bhubaneswar:** Plot No- 104/105(P), Jaydev Vihar, Besides Hotel Pal Heights, Bhubaneswar-751 013 • **Bikaner:** 2nd Floor, Plot No 70 & 71, Panchshati Circle, Sardul Gunj Scheme, Bikaner-334 003 • **Bokaro:** B-1, 1st Floor, Near Sona Chandi Jewellers, City Centre, Sector-4, Bokaro Steel City, Bokaro-827 004 • **Burdwan:** 495, B.C. Road, Beside Proyojoni, Burdwan-713 101 • **Calicut:** 2nd Floor, Sowbhagya Shopping Complex, Mavoor Road, Calicut-673 004 • **Chandigarh:** SCO 371-372, 1st Floor, Above HDFC Bank, Sector 35-B, Chandigarh-160 022 • **Chennai:** Flat No. F11, 1st Floor, Akshya Plaza, Erstwhile Harris Road, Opp. Chief City Metropolitan Court, # 108, Adhithanar Salai, Egmore, Chennai-600 002 • **Cochin:** Building No. 39, Ali Arcade, 1st Floor, Near Atlantis Junction, Kizhvana Road, Panampili Nagar, Cochin-682 036 • **Coimbatore:** 29/1, 1st Floor, Chinthamani Nagar, Opp. Indian Overseas Bank, N.S.R. Road, Saibaba Colony, Coimbatore-641 011 • **Cuttack:** Dargha Bazar, Opp. Dargha Bazar Police Station, Buxibazar, Cuttack-753 001 • **Dalhousie:** 19, R.N. Mukherjee Road, 2nd Floor, Dalhousie, Kolkatta-700 001 • **Dehradun:** Kaulagarh Road, Near Sirmaur Marg, Above Reliance Webworld, Dehradun-248 001 • **Dhanbad:** 208, New Market, 2nd Floor, Katras Road, Bank More, Dhanbad-826 001 • **Durgapur:** Old Dutta Automobiles Building, 1st Floor, Nachan Road, Benachity, Durgapur-713 213 • **Erode:** No. 4, KMY Salai, Veerappan Traders Complex, Opp. Erode Bus Stand, Sathy Road, Erode-638 003 • **Faridabad:** A-2B, 1st Floor, Nehru Ground, Neelam Bata Road, Nit, Faridabad-121 001 • **Ghaziabad:** 1st Floor, C-7, Lohia Nagar, Ghaziabad-201 001 • **Gorakhpur:** Above V.I.P. House, Ajdacent A.D. Girls Inter College, Bank Road, Gorakhpur-273 001 • **Gurgaon:** Shop No. 18, Gr. Floor, Sector-14, Opp. AKD Tower, Near Huda Office, Gurgaon-122 001 • **Guwahati:** 54 Sagarika Bhawan, R. G. Baruah Road, Guwahati-781 024 • **Gwalior:** Shindi Ki Chawani, Nadi Gate Pul, M.L.B. Road, Gwalior-474 001 • **Hubli:** 8 & 9, Upper Gr. Floor, C Block, Akshaya Park, Gokul Road, Hubli-580 029 • **Hyderabad:** 8-2-596 Karvy Plaza, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 • **Indore:** G-7, Royal Ratan Building, M.G. Road, Opp. Kotak Mahindra Bank, Indore-452 001 • **Jabalpur:** 43, Naya Bazar, Opp. Shyam Talkies, Jabalpur (M.P.)-482 001 • **Jaipur:** S-16 A, 3rd Floor, Land mark, Opposite Jaipur Club, Mahavir Marg, C-Scheme, Jaipur-302 001 • **Jalandhar:** Lower Gr. Floor, Office No. 3, Arora Prime Tower, Plot No : 28, G.T.

Road, Jalandhar-144 004 • **Jalgaon:** 148, Navi Peth, Opp. Vijaya Bank, Near Bharat Dudhalay, Jalgaon-425 001 • **Jammu:** 29 D/C, Green Belt Park, Near Service Selection Commission Office, Gandhi Nagar, Jammu-180 004 • **Jamnagar:** 108 Madhav Plaza, Opp. SBI Bank, Near Lal Bangalow, Jamnagar-361 001 • **Jamshedpur:** Kanchan Tower, 3rd Floor, Chhaganlal Dayalji & Sons, 3-S B Shop Area, Main Road, Bistupur, Jamshedpur-831 001 • **Jodhpur:** 203, Modi Arcade, Chupasni Road, Jodhpur-342 001 • **Junagadh:** 124/125, Punit Shopping Center, Ranavat Chowk, Junagadh-362 001 • **Kanpur:** 15/46, Opp. Muir Mills, Civil Lines, Kanpur-208 001 • **Kolkata:** 166A, Rash Behari Avenue, Kolkata-700029 • **Kolhapur:** 610-A, A.K. Vardhaman Chambers, 2nd Lane, Shahupuri, Kolhapur-416 001 • **Kota:** H.No. 29, First Floor, Near Lala Lajpat Rai Circle, Shopping Centre, Kota-324 007 • **Kottayam:** 1st Floor, CSI Ascension Church Complex, Kottayam-686 001 • **Lucknow:** Usha Sadan, 24, Prem Nagar, Ashok Marg, Lucknow - 226 001. • **Ludhiana:** SCO-3, Bawa Building, Feroze Gandhi Market, Ludhiana-141 001 • **Madurai:** Rakesh Towers, 30-C, Bye Pass Road, 1st Floor, Opp. Nagappa Motors, Madurai-625 010 • **Malda:** Sahistuli Under Ward No. 6, English Bazar, Municipality, No. 1 Govt. Colony, Malda-732 101 • **Mangalore:** Mahendra Arcade, Gr. Floor, Karangalapani, Kodialbail, Managalore-575 003 • **Meerut:** 1st Floor, Medi Centre Complex, Opp. ICICI Bank, Hapur Road, Meerut-250 002 • **Mehsana:** U L 47 Apollo Enclave, Opp. Simandhar Temple, Modhera Cross Road, Mehsana - 384 002. • **Moradabad:** Om Arcade, Parker Road, Above Syndicate Bank, Tari Khana Chowk, Moradabad-244 001 • **Mumbai:** Fort: Office No. 01/04, 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Behind Bombay Stock Exchange, Fort, Mumbai-400001 • **Borivali:** Gr. Floor, Himanshu Bldg., Sodawala Lane, Chandawarkar Road, Borivali (West), Mumbai-400 092. • **Thane:** 1st Floor, Jeevan Chaya Bldg, Near Adidas Show Room, Ram Maruti Road, Thane (W)-400 601 • **Muzaffarpur:** 1st Floor, Uma Market, Near Thana Gumti, Motijheel, Muzaffarpur, Bihar-842 001 • **Mysore:** L-350, Silver Tower, Clock Tower, Ashoka Road, Mysore-570 001 • **Nadiad:** 105 GF City Point, Near Paras Cinema, Nadiad-387 001 • **Nagpur:** Sadoday Arcade, Above Top N Town, Dharampeth, Nagpur - 440 001 • **Nasik:** S-12, 2nd Floor, Suyojit Sankul, Sharanpur Road, Nasik-422 002 • **Navsari:** 1st Floor, Chinmay Arcade, Opp. Sattapir, Tower Road, Navsari-396 445 • **New Delhi:** 2E / 23, Jhandewalan Extn., New Delhi-110 055 • **Noida:** 307 Jaipuria Plaza, D-68-A, 2nd Floor, Opp. Delhi Public School, Sector 26, Noida-201 301 • **Panipat:** 1st Floor, Krishna Tower, Near HDFC Bank, Opp. Railway Road, G.T. Road, Panipat-132 103 • **Panjim:** City Business Centre, Coelho Pereira Building, Room Nos. 18, 19 and 20, Dada Vaidya Road, Panjim-403 001 • **Patiala:** SCO 27-D, Chhoti Baradari, Patiala-147 001 • **Patna:** 3A, 3rd Floor, Anand Tower, Beside Chankya Cinema Hall, Exhibition Road, Patna-800 001 • **Pondicherry:** 1st Floor, No.7, Thiayagaraja Street, Pondicherry-605 001 • **Pune:** Shop No. 16, 17 & 18, Gr. Floor, Shreenath Plaza, Dnayneshwar Paduka Chowk, F.C.Road, Pune-411 004 • **Raipur:** Room No: TF-31, 3rd Floor, Millennium Plaza, Behind Indian Coffee House, G.E Road, Raipur-492 001. • **Rajkot:** 104, Siddhi Vinayak Complex, Dr. Yagnik Road, Opp. Ramkrishna Ashram, Rajkot-360 001 • **Ranchi:** Commerce Towers, 3rd Floor, Room No. 307, Beside Mahabir Towers, Main Road, Ranchi-834 001 • **Rourkela:** 1st Floor, Sandhu Complex, Kanchery Road, Udit Nagar, Rourkela-769 012 • **Salem:** 49 / 50, Fort Main Road Old No.17, 1st Floor, Shevapet, Salem-636 002 • **Shillong:** Mani Bhawan, Thana Road, Lower Police Bazar, Shillong-739 001 • **Shimla:** Triveni Building, By Pas Chowk, Khallini, Shimla-171 002 • **Siliguri:** Nanak Complex, Near Church Road, Sevoke Road, Siliguri-734 401 • **Surat:** G-16, Empire State Building, Nr. Udhna Darwaja, Ring Road, Surat-395 009 • **Tirunelveli:** Jeney Building, 55/18, S. N. Road, Near Arvind Eye Hospital, Tirunelveli-627 001 • **Trichur:** 2'nd Floor, Brother's Complex, Near Dhana Laxmi Bank Head Office, Naikkanal Junction, Trichur-680 001 • **Trichy:** 60 Srikrishna Arcade, 1st Floor, Thennur High Road, Trichy-621 017 • **Trivandrum:** 2nd Floor, Akshaya Towers, Sasthamangalam, Trivandrum-695 010 • **Udaipur:** 201-202, Madhav Chambers, Opp. G. P. O., Chetak Circle, Madhuban, Udaipur-313 001 • **Vadodara:** Piccadilly, Office # 5, 1st Floor, Opp. Adani Super Market, Jetalpur Road, Vadodara-390 007 • **Valsad:** Shop No. 2, Phiroza Corner, ICICI Bank Char Rasta, Tithal Road, Valsad-396 001 • **Vapi:** Shop No. 5, Phikhaji Residency, Opp. DCB Bank, Vapi Silvassa Road, Vapi-396 195 • **Varanasi:** D-64/132, KA, 1st Floor, Anant Complex, Sagra, Varanasi-221 001 • **Vellore:** No.1, M.N.R. Arcade, Officer's Line, Krishna Nagar, Vellore-632 001 • **Vijayawada:** 39-10-7 Opp. Municipal Water Tank, Labbipet, Vijayawada-520 010 • **Visakhapatnam:** 47-14-5/1 Eswar Paradise, Dwaraka Nagar, Main Road, Visakhapatnam-530 016 • **Warangal:** 5-6-95, 1st Floor, Opp. B.Ed Collage, Lashkar Bazar, Chandra Complex, Hanmakonda, Warangal-500 601.

*In addition to above, for Principal Debt Savings Fund – MIP & Retail Plan, all Eligible Brokers/Clearing Members/Depository Participants as defined in the SID will be considered as the Official Point of Acceptance for the transactions preferred through the MFSS.*

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**Name, Address and Website of Registrar:**

**Karvy Computershare Pvt. Ltd. (Unit: Principal Mutual Fund),** 'Madhura Estates', Municipal No.1-9/13/C, Plot No.13 & 13-C, Survey No.74 & 75, Madhapur Village, Ranga Reddy District, Hyderabad-500 081.

• Tel.: (040) 2331 2454. • [www.karvycomputershare.com](http://www.karvycomputershare.com)

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